

**CONDOMINIUM OPERATIONS
AND
MANAGEMENT
TRAINING MANUAL
FOR ROMANIA**

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INTRODUCTION

This manual of materials on condominium operations and management was prepared as a guidebook for members of Executive Committees of condominiums and for people providing property management services to condominiums in Romania. It describes the legal framework for condominiums and the operation of condominium Owners' Associations, and contains practical information on property management and financial management of condominiums. The materials are designed to be used alone or in conjunction with the condominium management training workshops that are part of an overall condominium training project for Romania.

The United States Agency for International Development (USAID), Office of Housing and Urban Programs, supported the preparation of these materials as part of its program of activities in municipal administration in Romania, under a contract with the International City and County Management Association (ICMA).

At the time of preparation of this manual, there is no "Condominium Law" in Romania.

There are a number of initiatives underway, however, to amend the Tenants' Associations Law of 1977 or to introduce new condominium legislation in the Parliament of Romania. The authors of the manual believe that such legislative change is necessary for the multifamily housing sector in Romania to develop successfully in accordance with free market principles.

Chapter II of the manual, on The Legal Framework, is based upon condominium laws in the United States and Europe, including recently enacted laws in other new democracies of Eastern Europe where apartment housing has been privatized. As the legal framework for condominium housing evolves in Romania, this chapter will be modified accordingly.

ACKNOWLEDGEMENTS

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Some of the materials in the Property Management and Financial Recordkeeping sections of this manual were adapted from two publications of the Urban Homesteading Assistance Board (UHAB) of New York: "A Guide to Maintenance and Repair for Tenants Who Manage Their Own Buildings" and "A Guide to Cooperative Ownership - The Homesteader's Handbook." USAID is grateful to UHAB for permission to use these publications in this manner.

In addition to the co-authors, the following individuals, residents of Brasov, Romania, provided valuable assistance with the preparation of these materials: Domitru Sturzu, Vice President, Union of Tenants' Associations; Liviu Popa, Computer Programmer; and Silviu Jecu, Attorney.

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CHAPTER I

WHAT IS A CONDOMINIUM?

Condominium housing has been a popular form of home ownership in United States and Western Europe for many years. In Romania, as in other republics of Eastern Europe and the former Soviet Union, individual apartments in privatized buildings were sold together with an interest in the common property of the building. This means that most apartment buildings in Romania are now condominiums.

Here are the answers to some frequently-asked questions about condominiums:

1. What is a condominium?

A condominium is a form of ownership of an apartment building, with some portions designated for individual ownership (the apartments or shops, which are called "units"), and the remainder designated for joint ownership by the owners of the units (the common property).

2. What does a person own in a condominium?

An owner in a condominium owns real estate that has two parts: (1) the apartment itself, and (2) an interest in the common property.

The owner's interest in the common property is in the same proportion as the floor area of the owner's unit is to the total floor area of all the units. These two parts together comprise the individual's "ownership interest" in the condominium.

3. What are some of the benefits of condominium ownership?

Owners in a condominium have most of the same rights as any other owner of real estate. Within certain broad limits, condominium owners are free to use, sell, rent, or mortgage their property. They may leave it to their heirs in a will.

An owner may be a person, a family, or a business.

4. What is an example of an "ownership interest"?

In Mountainview Condominium, there are 20 individual apartments with a total of 400 square meters of floor space in all of the apartments. Mr. Iliescu owns an apartment which has 20 square meters of floor space. Mr. Iliescu's apartment accounts for 5% of the total floor space of all the apartments in the building, so Mr. Iliescu has an ownership interest in Mountainview Condominium of 5%.

5. What is included in the common property?

Common property is everything other than the individual units.

Common property ordinarily includes interior shared spaces of the building such as stairways and halls; exterior parts of the building such as the roof and masonry walls; and the land under and surrounding the building. It also includes the building systems that serve more than one unit, such as heat and water pipes.

6. What are some of the obligations of condominium ownership?

One of the most important obligations of being a condominium owner is the requirement to pay a share of the expenses of managing and operating the condominium, the expenses of maintaining and repairing the common property, and the cost of utility services for the common portions of the building. These are called "common expenses." Common expenses are divided among the owners according to their ownership interest.

In other words, Mr. Iliescu, whose ownership interest in Mountainview Condominium is 5%, must pay 5% of the common expenses of the condominium.

7. What other expenses does an owner have to pay?

In addition to common expenses, each owner must pay the expenses of keeping his/her own apartment in good repair, and the cost of services provided to his/her apartment, such as electricity, heat and hot water. If charges for services such as heat are made to the building as a whole, each owner must pay his/her share, as was the case when he/she was a tenant.

8. What is an Owners' Association?

An Owners' Association is a legally registered organization. All owners of units in the condominium are members of the Owners' Association. All owners must agree to comply with the decisions made by the Owner's Association.

The Owners' Association is responsible for managing the common property and regulating the operations of the condominium. Management decisions are made at a meeting of the Owners' Association. Each apartment is allocated one vote at meetings, and most decisions will be made by majority vote.

9. What happens if someone refuses to comply with decisions of the Owners' Association?

Members of an Owners' Association usually comply with decisions they made jointly with their neighbors. If they do not, the Owners' Association can take legal action, and ask the court to order the violator to comply or to pay damages to the Owners' Association.

For example, if a member fails to pay an assessment for common expenses, the Owners' Association can ask the court to order the member to pay. If the member still refuses, the Owners' Association can enforce the order of the court through garnishment of the member's wages, seizure of his property or any other remedy provided by the Civil Code for collecting a debt. The model Condominium Law also provides that the Owners' Association has a lien on the units of the individual owners, so if an owner refuses to pay, the Owners' Association will have a right of foreclosure.

10. How will the Owners' Association make decisions?

All unit owners in a condominium will be members of the Owners' Association, with one vote allocated to each unit. Most decisions will be made by majority vote, although a few kinds of decisions will require a higher percentage. For example, before the Owners' Association can incur major expenses for installation of new equipment or renovation of the common property, 80% of the voters must vote in favor of the expenditure. The members will vote at a general meeting that must be held at least once a year.

The members of an Owners' Association will elect an Executive Committee to establish policies for the building and manage the day-to-day affairs of the condominium. In buildings where the government or RIAL continues to own units, the government or RIAL will have a vote in the decisions of the Owners' Association. But the voting power of the government or RIAL will be no greater than that of any other owner of an equivalent interest in the condominium. That is, if the government or RIAL owns two apartments, it will have two votes in the decisions of the Owners' Association.

Once a majority of the units have been sold to private individuals, the private owners will have a majority of the votes and will be able to control the management and governance of the condominium.

11. How will the new owners take charge of building management?

Management of the condominium probably will be carried out in one of two ways:

- by the Owners' Association itself, which will hire employees to run the property on a day-to-day basis and will enter into contracts for non-routine services as needed; or
- by the Owners' Association entering into a contract with a property manager.

A property manager is a person or firm with professional expertise in property management and bookkeeping who is authorized to act on behalf of the Owners' Association and carry out policies set by the Owners' Association. Property management is a new profession in Romania. Owners can expect that there will be a number of private property management enterprises available to take over the management of condominiums.

12. How is a condominium established?

To establish a condominium, the owners must adopt an Association Agreement and register the Owners' Association in the jurisdiction where the condominium is located. This makes the Owners' Association a legal entity.

13. What is an Association Agreement?

The Association Agreement describes the property, how ownership is divided among the individual owners, and how the Owners' Association will be governed and make decisions. The Association Agreement is the master agreement between the Owners' Association and the individual owners of the property.

Each person who is an owner at the time the Association Agreement is registered or who becomes an owner after that will be given a copy of the Association Agreement. The Association Agreement provides information about how the condominium will be operated, and each owner must comply with its terms. The owners can change the Association Agreement later, but only if the owners vote to do so.

14. What happens if some units in a condominium are not sold to the tenants?

Privatization of apartments is voluntary. Some tenants have decided not to become the owner of their units. The government or RIAL will remain the owner of units that are not sold, and will continue to rent them.

15. What obligations will the government or RIAL have as the owner of some of the condominium units?

Like any other unit owner, the government or RIAL will have to pay its share of the common expenses, based on the ownership interests allocated to the units it continues to own. The government or RIAL will also have to continue to pay all of the expenses of keeping its apartments in good repair and for services provided to those apartments.

16. What are the advantages of being an owner in a condominium?

People all over the world share a desire to own their own homes. In addition to providing psychological benefits, home ownership is viewed as a financial asset or even an investment in many countries. If the value of your housing increases, your wealth increases. You can sell your home and buy another that is more suitable to your needs, or you can rent it to others.

In places where rents are unrestricted and subject to sharp increases, ownership can protect you from unforeseen increases in rent that may cause hardship or force you to move. In Romania, the government expects that it will have to continue to increase rents to cover the full costs of maintaining the housing stock.

Perhaps the most important advantage is that as an owner, you have more control over your living conditions. This allows you to have a greater sense of pride in your home. In a condominium, your apartment belongs to you. Even though you share common property with other owners, you may participate in making decisions about how the property will be managed and maintained.

These are some of the reasons that condominium housing appeals to many people.

CHAPTER II

THE LEGAL FRAMEWORK

This chapter provides information about the legal framework for condominiums in Romania.

A.THE CONDOMINIUM LAW

Almost all of the republics of Eastern Europe and the former Soviet Union have passed or are considering new laws to allow the condominium form of ownership in privatized housing.

Romania has also privatized the housing in the form of condominiums, but it does not have a Condominium Law yet. At the time large-scale housing privatization began here, people assumed that the existing Tenants' Associations could take over the role of operating the privatized buildings. It has become clear in the past year or two that a special new Condominium Law is needed to help the new owners operate their properties.

A Model Condominium Law is included in this manual at the end of Chapter II.

This model law provides for the legal description and registration in the local real property registration offices of individually owned units and jointly owned common areas in apartment buildings.

The law also requires that an Owners' Association be established in each condominium building. Membership in the Owners' Association is made up of all the owners in the building.

The model law provides that operation of the Owners' Association will be carried out in accordance with an Association Agreement. The law also contains requirements and guidance for the operation of the Owners' Association itself, and for financial and property management of the condominium.

Ownership Provisions. The Model Condominium Law sets out the two fundamental principles of the condominium form of ownership: (1) by virtue of ownership of an individual unit, one also has an ownership interest in the common areas of the property, including the land, in the same proportion as the area of one's unit is to the total area of all the units; and (2) each unit together with its proportionate share of the common property is an identifiable parcel of real estate, freely alienable and able to be mortgaged.

Owners contribute to the common expenses, including maintenance and repair of the common property, proportionately, that is, in accordance with their ownership interest. One vote in the decisions of the Owners' Association is allocated to each apartment.

Decision Making by the Owners' Association. The Model Condominium Law provides that certain decisions regarding the affairs of the condominium may be made only by a vote of eighty percent (80%) of the unit owners. These are: amending the Association Agreement, which serves as the master agreement among co-owners;

renovating or substantially improving the common property; mortgaging the entire condominium property; and liquidating the condominium.

Other decisions are to be made by a simple majority vote, that is, over fifty percent (50%), unless the Association Agreement provides otherwise. Among the decision that can be made by a simple majority vote are: how the routine maintenance and repair of the common property will be carried out; how the common property will be used; adoption of an annual budget; and selection of an Executive Committee.

Under the Model Condominium Law, the Owners' Association delegates some of its decision-making responsibility to the Executive Committee. Decisions that can only be made by the owners ordinarily are made at a General Assembly of the Owners' Association, which must be held at least once each year.

B.THE ASSOCIATION AGREEMENT

The model law also specifies certain provisions that must be included in the Association Agreement. The provisions of the Association Agreement are binding upon each owner.

Certain mandatory provisions in the Association Agreement relate to ownership. These include: a legal description of the property, including a description of each unit and each of the common areas; and the ownership share or percentage interest in the common property allocated to each unit.

Other mandatory provisions in the Association Agreement deal with operation and management of the condominium. These include: how the unit owners will make decisions regarding the maintenance and repair of the common property; how meetings of the Owners' Association will be convened and conducted; and procedures and scope of responsibilities for the Executive Committee.

A sample Association Agreement is provided at the end of Chapter II.

C.BYLAWS

The model law does not require the Owners' Associations to adopt bylaws or other operating regulations. But adoption of bylaws is advisable because a high percentage of the owners must vote to amend the Association Agreement. This makes the Association Agreement somewhat inflexible and difficult to adapt to changing conditions or needs in the condominium community. Bylaws, on the other hand, can be amended by majority vote of the owners, or any other percentage that is agreed upon by the owners.

Among the many matters that can be included in bylaws are: the date of the annual General Assembly of the Owners' Association; the designation and responsibilities of officers of the Owners' Association; house rules and regulations; and the like. Each Owners' Association should adopt bylaws that are adapted to its own particular situation and needs.

Model bylaws are included at the end of Chapter II.

D.REGISTERING THE CONDOMINIUM

To establish a condominium, it is necessary to register the condominium property and the Association Agreement in the property registration office in the jurisdiction where the condominium is located. Each individually owned residential and commercial unit, together with its share of the common property, is registered as a parcel of real estate. The common property, which is owned proportionately by the owners of the individual units, is also described and registered.

The Owners' Association and its Association Agreement will also be registered in the office of the local jurisdiction where associations are registered.

A separate registration sheet should be prepared for each unit in the condominium. The address and registration number of the condominium should be given, along with the number of the unit, the floor number, the name and surname of the owner, the area in square meters of the unit, the rooms in the unit, and the proportionate ownership interest in the common property for that unit.

As the unit is transferred from owner to owner, or if a mortgage is obtained by using the property as security, the information in the property registration record will be updated so that it will show the complete history of ownership, encumbrances and transfers for that unit.

A separate deed of ownership should be prepared for each unit, giving the condominium number, the address, the size and proportionate ownership interest of the unit. Two copies of the deed of ownership should be prepared, so that one can be filed with the condominium registration records and one given to the owner. New deeds of ownership will be prepared for each subsequent transfer.

Principle of Sequence. Registration is sequenced by time and date to indicate the order in which each registration form relating to each parcel of real estate was received at the notary office.

Sequencing sets certain priorities. If two mortgages are recorded, for example, the one recorded first has priority. It also helps to establish title to the property, since there is a legal presumption that the person listed as the owner after the last recorded transfer has good title to the property.

MODIFYING THE REGISTRATION RECORDS

Dividing Units. Sometimes a large unit (apartment or commercial space) may be divided into two or more smaller units. In a condominium, division of units can be accomplished legally only upon registration in the land records of registration sheets for the newly-created units as separate parcels of real estate, and the modified Association

Agreement. The approval of 80 percent of the owners is required to modify the Association Agreement because the ownership interests in the common property must be re-allocated for each unit.

Similarly, withdrawing or eliminating a unit or room from the original property registration requires modification of the Association Agreement and registration records.

Creating New Units from Common Property. Creating individually-owned property from common property sometimes occurs, for example, when a new unit is built in an attic.

These changes also require the approval of 80 percent the owners so that the Association Agreement can be amended. The amended Association Agreement and the new unit are recorded, and the change must also be noted on the registration form where the common property is described.

The purchaser of a individual unit created from common property must buy the unit from the Owners' Association. This may occur prior to or at the time of construction of the unit, in which case the purchaser can be listed as the new owner at the time the new unit is registered in the property records. If the Owners' Association converts the property or makes it available for sale without a specific purchaser in mind, the unit should be registered in the name of the Owners' Association until it is sold. Then, after a sale has occurred, the transfer of ownership and registration of the new owner must be added to the property records.

MODEL CONDOMINIUM LAW

CHAPTER I - GENERAL PROVISIONS

Article 1. Purpose.

The purposes of this Condominium Law are to determine the legal status of condominium ownership in residential apartments and commercial premises, to provide for the establishment and operations of Owners' Associations in condominiums, and to provide for the operation and management of condominium property by the Owners' Association under an Association Agreement.

Article 2. Applicability.

This Law may be applied to all multi-unit apartment buildings with more than one owner, including those with commercial premises.

Article 3. Definitions.

Unless otherwise specifically provided, in this Law:

(a) "Allocated interests" means the indivisible ownership interest in the common property and the common expense liability allocated to each unit. Interests will be allocated to each unit on the basis of the ratio of the number of square meters of floor space in the unit to the total number of square meters of floor space in all of the individual units.

(b) "Association Agreement" means the instrument which, upon registration in the appropriate office of the local jurisdiction, creates a binding contract among the owners of units in the condominium.

(c) "Common expenses" means expenditures or financial liabilities of the Owners' Association in relation to the common property and for services that are provided to all of the units, such as central heat.

(d) "Common property" means all portions of a condominium property other than the units. Common property is indivisibly and jointly owned by the owners of individual units in accordance with their allocated interests. Common property includes all parts of the property not intended for individual use, such as: the site upon which the building is built, enclosed yards, the foundations, supporting walls, roof, terraces, stairways, hallways, lifts, pathways, cellars, wells, and water reservoirs. Common property also includes parts of the building for common use which have been installed or fixed during the construction of the building or which have been set up later by the owners, such as:

sewerage channels, discharging columns, chimneys, electrical systems, waterworks, and gas or heating systems that may pass through the common property to distribution points in the individual units.

(e) "Condominium" means real estate, portions of which are designated as individual units for separate ownership, and the remainder of which is designated as common property for joint ownership by the owners of the units. All interests in the common property are vested in the owners of the units. The owners' indivisible interests in the common property may not be separated from the owners' interests in their respective units.

(f) "Founder" means any legal entity, including a state, local government, business enterprise, person, or group of persons acting together, by or on behalf of which a condominium is founded, and which offers to sell, convey, or otherwise transfer units within an apartment building to individual ownership.

(g) "Owners' Association" means the organization of owners of all units in a condominium.

(h) "Unit" means a portion of a condominium designated for individual ownership, which together with an undivided proportionate share of the common property, constitutes an identifiable parcel of real estate. A unit may be used for residential or commercial purposes. Except as otherwise provided in this Law or in the Association Agreement, ownership rights in a condominium unit are to be treated on the same basis as the rights of ownership of other real property.

(i) "Unit owner" or "owner" means one or more persons who own a condominium unit.

CHAPTER II - REGISTRATION OF A CONDOMINIUM

Article 4. Registration.

A. A condominium is created by registration by the founder of an Association Agreement in the real property registration records in the jurisdiction where the condominium is located, in accordance with applicable laws and regulations regarding registration of interests in real property.

B. At the time a condominium is registered in the real property registration records, each individual unit together with its allocated share of the common property shall be separately registered and shall constitute a separate parcel of real estate. As ownership of each unit is transferred from the founder to an individual owner and for each transfer of ownership of the unit thereafter, the date of the transfer and the name of the individual owner, together with any other information required for registration of real estate in the real property registration records, shall be registered for that unit.

Article 5. Registration of Condominiums in Buildings with Units Privatized under Law No. 61/1990 and Law No. 85/1992.

Condominiums shall be established in formerly state-owned buildings where units have been privatized in accordance with Law No. 61/1990 and Law No. 85/1992, by the registration of an Association Agreement. At the time the Association Agreement is registered, the relevant real property registration records shall be reorganized in accordance with Article 4, above.

CHAPTER III - THE ASSOCIATION AGREEMENT

Article 6. Association Agreement.

An Association Agreement must contain:

- (a) a description of the property comprising the condominium, including the land and the building structure, that is legally sufficient for registration in the real property registration records;
- (b) plans or drawings sufficient to identify, by location and floor area, each individual unit within the building structure;
- (c) the allocated interests appurtenant to each unit, expressed as a percentage of the total allocated interests in the condominium;
- (d) a description of the common property; and
- (e) procedures for operation of the Owners' Association.

Article 7. Allocated Interests.

The Association Agreement must allocate to each unit a percentage of undivided interest in the common property and liability for common expenses of the condominium. The allocations may not discriminate in favor of units owned by the government, the RIAL, or any other founder.

Article 8. Co-Ownership of Units.

In units with more than one owner, co-ownership relations among owners shall be regulated in accordance with the provisions of the Civil Code, this Law, and the Association Agreement.

Article 9. Addition or Withdrawal of Units.

If units may be added to or withdrawn from the condominium, the Association Agreement must state the formula to be used to recalculate the allocated interests among all units included in the condominium after the addition or withdrawal.

Article 10. Amendment of Association Agreement.

Agreement of at least 80% of the unit owners is necessary to amend or modify the Association Agreement. Any amendment or modification must be registered in the real property registration records.

CHAPTER IV - RIGHTS AND RESPONSIBILITIES OF UNIT OWNERS

Article 11. General Rights of Ownership.

The owner of a unit has the right to occupy, use, sell, rent, bequeath or mortgage the unit in accordance with the norms of ownership and the general provisions of the Civil Code concerning the use and transfer of privately owned real property, except that the unit and its allocated interest in the common property cannot be sold or otherwise transferred separately.

Article 12. Rights and Responsibility of Founder As Unit Owner.

So long as some units are not sold or remain under the ownership and control of the founder, the founder shall remain the owner of an interest in the common property to the extent of the interests allocated to the unsold units, and shall contribute to common expenses in accordance with such allocated interests.

Article 13. Obligations of Tenants of Owners.

A tenant of a unit owner may not vote or otherwise participate in the decisions of the Owners' Association, but must comply with rules adopted by the Owners' Association insofar as such rules are applicable to all occupants of the condominium.

CHAPTER V - MAINTENANCE, REPAIR, AND IMPROVEMENT OF THE PROPERTY

Article 14. Maintenance of Individual Units; Access to Units.

A. The owner of a unit is obligated to maintain the unit in good repair at the owner's own expense. In maintaining the unit, no owner may infringe upon, damage, or endanger the common property or the property of any other owner.

B. Upon 5 days' notice, an owner is obligated to admit a representative of the Owners' Association to the unit when it is necessary to inspect, repair, or replace elements

of the common property that may conveniently be reached only from the unit, or to prevent damage to another unit or the common property. In emergencies or urgent cases, when damage is occurring or is imminent, no notice is required.

Article 15. Management, Maintenance, and Repair of Common Property.

Ordinary management, maintenance, and repair of the common property is the responsibility of the Owners' Association, and the expenses incurred in performing these responsibilities shall be common expenses. The Owners' Association may hire persons or enter into contracts for the performance of these services.

Article 16. Renovation and Improvement of Common Property.

Ordinary improvements to the comfort and efficiency of the condominium property may be undertaken by the Owners' Association upon approval by a majority of the owners. Renovation of the common property, or installation of major equipment, such as hot water boilers, heating apparatus, water reservoirs, lifts, or other improvements of similar magnitude, may be undertaken by the Owners' Association only with the approval of at least 80% of the owners. If such approval is obtained, all owners are obligated to pay their share of the cost, whether they voted in favor of the expenditure or not.

Article 17. Alterations to Units by Owners.

An owner may make any improvement or alteration to the unit that does not damage or impair the structural integrity of the common property, including the building systems, or any other owner's unit. An owner may not change the condition or appearance of the common property without first receiving the permission of the Owners' Association. Any change in condition, appearance or use of the common property, or improvement or alteration in a unit, must be carried out in accordance with applicable laws.

Article 18. Altering Boundaries Between Units and Common Property.

The boundaries between adjoining units may be relocated by agreement of the owners of the affected units and upon approval by the Owners' Association. The boundaries between individual units and the common property may be changed only upon amendment of the Association Agreement with the consent of 80% of the owners.

Article 19. Damage to Common Property or Other Units.

If the owner of a unit or any person acting on behalf of the owner causes damage to any part of the common property or any other unit, the owner of the unit must repair the damage or pay the costs of repair.

Article 20. Insurance.

A. Each owner shall be responsible for insuring his own property.

B. The Owners' Association shall insure the common property against risks of physical loss, damage, and the like.

CHAPTER VI - THE OWNERS' ASSOCIATION

Article 21. Formation of Owners' Association.

An Owners' Association shall be formed and an organizational meeting of the Owners' Association convened within sixty (60) days of the date when the condominium is registered in the real property records. The membership of the Owners' Association shall consist of the owners of all units, including the government or RIAL or the founder, so long as the government or RIAL or the founder continues to own one or more units in the condominium.

Article 22. Meetings of Owners' Association; Notice.

After the first organizational meeting, a meeting of the Owners' Association must be held at least once each year. Special meetings of the Owners' Association may be called at any time by the Executive Committee or by unit owners representing at least twenty percent (20%) of the votes. All owners must be provided with notice of any meeting of the Owners' Association at least ten (10) days before the date of the meeting.

Article 23. Quorum.

An Owners' Association meeting may be convened and decisions made if at least two-thirds (66-2/3%) of the voting interests are present, in person or by proxy. If a quorum is not present, the meeting may be adjourned and reconvened. At the reconvened meeting, decisions may be made regardless of the share of voting interests present.

Article 24. Voting; Proxy Voting.

Unless otherwise provided by this Law or the Association Agreement, decisions of the Owners' Association shall be made upon the vote of a majority of the unit owners, allocated on the basis of one vote per unit. Votes may be cast by proxy so long as the proxy is in writing and signed by the owner on whose behalf the votes are to be cast. In case of a tie vote, the vote of the chairman is decisive.

Article 25. Powers of the Owners' Association.

The Owners' Association has the power to:

(a) adopt and amend budgets for revenues, expenditures, and reserves; collect regular and special assessments for common expenses from owners;

(b) decide whether to hire and discharge a property manager or other employees or personnel to manage and operate the condominium;

(c) initiate or defend in legal actions in its own name on behalf of itself or the unit owners on matters relating to the condominium;

(d) enter into contracts and incur liabilities on behalf of itself or the owners in matters relating to the condominium;

(e) regulate the use, maintenance, repair, replacement, and modification of the common property;

(f) maintain, to the extent reasonably available, insurance on the common property of the condominium against risks of loss or liability;

(g) impose charges for late payment of assessments;

(h) adopt and amend bylaws and rules and regulations; and

(i) exercise other powers conferred by the Association Agreement or by affirmative vote of the owners.

Article 26. Borrowing by the Owners' Association.

A. The Owners' Association may enter into agreements to borrow money for repairs or improvements to the common property or for operating costs of the condominium if a majority of the owners vote in favor of such borrowing. Such borrowing may be secured with the future cash flow of the Owners' Association, including the right of the Owners' Association's to receive payments for common expenses.

B. The Owners' Association may place a mortgage or otherwise secure a loan with the real property of the condominium, if eighty percent (80%) of the owners vote in favor of such a mortgage. Each unit owner is free to mortgage his individual unit and allocated interest in the common property without the consent of the Owners' Association or the other owners.

Article 27. Minority Rights.

If a decision of the Owners' Association is contrary to law or the Association Agreement, or leads to considerable grievance of the interests of a minority of the unit owners, any owner may commence a legal action to challenge the validity of the decision within sixty (60) days of when it is made. Such legal action shall not interfere with the execution of the decision by the Owners' Association unless the court determines that the execution of the decision should be suspended.

CHAPTER VII - EXECUTIVE COMMITTEE

Article 28. Election and Dismissal of Executive Committee.

At the organizational meeting of the Owners' Association, the owners shall elect an Executive Committee, and shall determine the number of members of the Executive Committee and the length of the term for which they shall serve. Only owners are eligible to serve on the Executive Committee. The candidate who receives the highest number of votes shall be chairman. Members of the Executive Committee may be dismissed during their term for good cause and upon the affirmative vote of a majority of the owners at a meeting of the Owners' Association.

Article 29. Authority of Executive Committee.

Except for powers exclusively reserved to the owners in this Law or the Association Agreement, the Executive Committee may act on behalf of the Owners' Association in managing and operating the condominium. The Executive Committee may hire personnel or appoint other persons as it deems necessary for carrying out its responsibilities.

Article 30. Authority of the Chairman of Executive Committee.

The chairman of the Executive Committee may represent the Owners' Association in executing contracts and otherwise assuming obligations on behalf of the Owners' Association, and may represent the Owners' Association against third parties, including in legal action brought by the Owners' Association against an owner who has failed to fulfill obligations to the Owners' Association, or in legal action brought by an owner to challenge a decision made by the Owners' Association.

CHAPTER VIII - COMMON EXPENSES; COLLECTION OF ASSESSMENTS

Article 31. Annual Budget for Common Expenses; Fiscal Year.

A. The fiscal year of the Owners' Association shall be the calendar year.

B. Prior to the beginning of each fiscal year, the Executive Committee shall cause to be prepared and presented to the owners an annual budget sufficient to cover the anticipated expenses of maintaining and operating the common property and, if the establishment of a reserve account for replacement and improvement of the common property is approved by the owners, an amount needed to fund such an account. The annual budget shall be subject to approval by a majority of the owners at a meeting of the Owners' Association.

Article 32. Annual Audit and Financial Report.

Within sixty (60) days of the end of each fiscal year, an audit of the financial records and a report on the financial status of the condominium shall be prepared and presented to the owners by the Account Auditing Committee, if there is one, or by an independent auditor retained by the Owners' Association for that purpose.

Article 33. Obligation to Pay Common Expenses.

All owners are required to pay in advance their allocated portion of the annual budgeted common expenses. Such payments may be made on a monthly basis at the beginning of each month of the fiscal year for which the common expenses have been budgeted.

Article 34. Special Assessments for Common Expenses.

Upon the affirmative vote of two thirds (66-2/3 percent) of the owners, a special assessment in excess of the budgeted common expenses may be levied upon the unit owners to meet unanticipated and necessary expenses. Such special assessments shall be paid in accordance with terms adopted by the Owners' Association at the time the special assessment is levied.

Article 35. Delinquency in Payment of Common Expenses.

(A) The Owners' Association may impose interest in an amount up to the highest rate allowable by law against any owner who is delinquent in payment of common expenses, including special assessments, for more than thirty (30) days after any such payment is due. The Owners' Association may charge a one-time late fee for each late payment, in a reasonable amount to be determined from time to time by the Executive Committee.

(B) The Owners' Association has the right to bring a legal action against any owner who is delinquent in payment of common expenses, including special assessments, for more than ninety (90) days after any such payment is due.

(C) A judgment in favor of the Owners' Association for sums due from any owner may be enforced in any manner permissible by the Civil Code for collection of debts.

CHAPTER IX - MISCELLANEOUS

Article 36. Termination of the Condominium.

(A) Except in the case of a taking of the entire condominium property by eminent domain, or substantial damage to or destruction of the condominium property, a condominium may be terminated and the property liquidated only by agreement of eighty percent (80%) of the owners, unless the Association Agreement provides otherwise. Proceeds from a taking or termination and liquidation of the assets of the condominium shall be distributed to the owners in accordance with their allocated interests.

(B) Termination of the condominium shall be reported to the real property registration office.

Article 37. Effect of Other Laws.

All legal dispositions that conflict with this Law are hereby abolished.

Article 38. Effective Date.

This Law shall come into effect upon promulgation by the President of Romania.

MODEL ASSOCIATION AGREEMENT

CHAPTER I - SUBMISSION OF PROPERTY

Article 1. The Owners' Association in the apartment building located at _____ [street and number] in the Municipality of _____ (the "Property") hereby submits the Property for condominium ownership. Included in the Property is a building consisting of individual residential apartments [and commercial premises] (the "Units"), together with common areas and facilities that are not part of any residential apartment or commercial premises (the "Common Property"). The Common Property includes the following:

_____.

Article 2. Owners' Association submits the Property to create a plan of condominium ownership of the Property in accordance with Law No. _____, dated _____. Each of the individual Units may be or has been conveyed in freehold ownership. The Common Property shall be jointly owned by the owners of the Units in accordance with each Unit's proportionate ownership interest in the Property. The proportionate ownership interest shall be the same as the percentage share given for each Unit in Article 3, below.

Article 3. Listed below are each of the Units in the Property and, for each Unit, the number of square meters of floor space and that Unit's percentage share of the total number of square meters of floor space of all of the Units combined.

UNIT NUMBER (By Floor)	SQUARE METERS IN UNIT	PERCENTAGE SHARE/ OWNERSHIP INTEREST
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CHAPTER II - REGISTRATION OF CONDOMINIUM

Article 4. To establish the Condominium, this Association Agreement shall be registered in the real property registration office of the jurisdiction where the Condominium is located.

Article 5. For each Unit listed in Article 3 that has been transferred to private ownership, and upon each transfer thereafter, the name of the owner of each Unit shall be reported to the real property registration office for registration in the ownership records.

CHAPTER III - PLAN OF OWNERSHIP

Article 6. Each Unit consists of the area contained within the perimeter walls of the Unit, together with any property associated with that Unit and the undivided proportionate share of the common property appurtenant to that Unit. The walls and partitions contained within a Unit, and the inner finished surfaces of the perimeter walls, floors and ceilings, shall be deemed to be part of the Unit in which they are contained.

Article 7. Ownership of each Unit shall include ownership of an appurtenant undivided interest in the Common Property, in the proportionate share given for that Unit in Article 1.3. The Common Property shall include all parts of the building and property of the Condominium that are not part of a Unit, including but not limited to the land, roof, main walls, slabs, elevator, elevator shaft, corridors, staircases, lobbies, halls, attics, cellars, parking spaces, storage spaces, community facilities, heat and hot water equipment, trees, pavement, balconies, pipes, wires, conduits, air conditioners and ducts and public utility lines.

Article 8. The outer surfaces of the perimeter walls, floors, and ceilings surrounding the respective Units, and any pipes, wires, conduits, or other utility lines running through the respective Units that are utilized for or serve more than one Unit, shall be deemed to be Common Property and not part of any Unit.

Article 9. Each Unit, together with its appurtenant undivided interest in the Common Property, shall constitute an individual parcel of real estate, and shall form a unity which may only be sold or otherwise transferred together. Subject only to that limitation and the laws and regulations applicable to all individually owned real property, each Unit may be sold or otherwise freely disposed of by its owner. Each owner may possess and use its individual property, whether for residential or non-residential purposes, in any manner not inconsistent with law or this Association Agreement.

CHAPTER IV - ADMINISTRATION OF THE CONDOMINIUM

Article 10. Upon becoming an owner of a Unit, each owner automatically shall become a member of the Owners' Association of the condominium, a legal entity registered in the

Registry of Associations for the jurisdiction where the condominium is located. Each owner shall remain a member of the Owners' Association until such time as ownership ceases.

Article 11. All agreements and decisions made by the Owners' Association in accordance with voting procedures established by law and in this Association Agreement, shall be deemed to be binding on all owners of Units.

Article 12. At the first General Assembly of the Owners' Association held after the establishment of the Condominium, the owners shall elect an Executive Committee which shall be authorized to act on behalf of the owners in the operation and management of the Condominium, except for matters for which a vote of the owners is deemed to be necessary by law or by this Association Agreement. Decisions that require a vote of the owners shall be made at a General Assembly of the Owners' Association.

Article 13. The Executive Committee shall meet periodically but not less than four times during a calendar year. The number of members and length of the term of office of the members of the Executive Committee shall be determined by the owners at the first General Assembly after the establishment of the Condominium. The person who receives the highest number of votes in an election of the Executive Committee shall serve as the chairman and presiding officer of the Executive Committee and the Owners' Association.

Article 14. At any General Assembly of the Owners' Association, the owners may decide whether to elect an Account Auditing Committee to review the accounts of the Owners' Association and advise the Owners' Association and the Executive Committee on the financial affairs of the condominium. If there is an Account Auditing Committee, it shall report to the General Assembly at least once a year on the financial status of the Owners' Association.

Article 15. A General Assembly shall be convened at least once each year. The chairman of the Executive Committee may convene a special General Assembly whenever it is deemed to be necessary. The chairman of the Executive Committee must convene a General Assembly within 21 days of receiving a request from the owners of 20% or more of the owners.

Article 16. Notice of the convening of a General Assembly shall be given in writing, delivered in person or by first class mail, at least 10 days before the date of the meeting. Such notice must include the date, time, and place of the General Assembly, and an agenda of matters to be considered there.

Article 17. To convene a General Assembly, a quorum of at least 2/3 of the owners must be present in person or by proxy. If there is no quorum, the General Assembly may be adjourned and reconvened at any time thereafter. At the reconvened General Assembly,

the owners may decide the matters included on the agenda of the first scheduled meeting, regardless of whether or not a quorum of 2/3 is present.

Article 18. Decisions of the General Assembly shall be made by majority vote, that is, the vote of more than 50% of the owners that are present and voting at the General Assembly, except where a higher number is required by law or this Association Agreement. In case of a tie vote, the vote of the presiding officer shall be decisive.

Article 19. A vote of more than eighty percent (80%) of the ownership interests must be had for the following decisions: (a) modification of the Association Agreement; (b) dissolution of the Condominium and sale of the entire Condominium property; (c) pledging the entire Condominium property as security for a loan or mortgage; (d) renovation of the common property or installation of major equipment.

Article 20. Each Unit shall be allocated one vote. The vote cannot be divided if there is more than one owner of a Unit. If only one co-owner is present at a General Assembly, that person shall be entitled to cast the vote for the Unit. If more than one co-owner is present, the votes shall be cast only in accordance with the unanimous agreement of the co-owners, which consent shall be presumed to have been given if any one of the co-owners purports to cast the votes without protest being made to the presiding officer by any other co-owner.

Article 21. Votes may be cast by proxy presented to the presiding officer of the General Assembly prior to the commencement of the meeting. A proxy must be in writing and dated, and must be executed by or on behalf of all co-owners of the Unit for which the vote is to be cast. A proxy shall be revocable only upon actual notice to the presiding officer of the General Assembly, and shall terminate automatically upon the adjournment of the first General Assembly held on or after the date of the proxy.

Article 22. Decisions and minutes of the General Assembly must be put in writing and kept among the records of the Owners' Association. The minutes of the previous General Assembly must be approved at the next General Assembly.

CHAPTER V - CONTRIBUTION TO COMMON EXPENSES

Article 23. The Owners' Association shall be responsible for operating and managing the Condominium and for maintaining, repairing, renovating, or improving the Common Property, the costs of which shall be deemed to be Common Expenses. The owners shall be liable to pay to the Owners' Association their share of the Common Expenses, in accordance with their proportionate ownership interest as given in Article 3, above.

Article 24. The amount of the assessment for Common Expenses shall be determined in an annual budget to be adopted by the owners at a General Assembly prior to the

beginning of each fiscal year. The Executive Committee shall prepare a proposed budget and submit it to the owners at the same time that notice of the General Assembly is given.

Article 25. In the event that the assessment is inadequate because of unanticipated Common Expenses, a special assessment may be made upon an affirmative vote of 2/3 of the owners cast at a General Assembly. A special assessment shall be paid by the owners in accordance with their respective proportionate ownership interests, on such other terms as approved by vote of the owners.

Article 26. A renovation fund may be established, the amount of which shall be determined as part of the budget to be adopted by the General Assembly. All owners shall contribute to the renovation fund as a portion of their regular condominium assessment, in proportion to their ownership interest.

Article 27. No owner of any Unit shall be exempt from liability for contribution toward the Common Expenses by waiver of the right to use and enjoyment of any of the Common Property or facilities or by the abandonment of the Unit or otherwise.

CHAPTER VI - DEFAULT IN PAYMENT OF ASSESSMENTS

Article 28. Nonpayment of any regular or special assessment or portion thereof by any owner for more than 30 days after any such payment is due shall constitute a default. Interest in an amount to be set from time to time by the Executive Committee but not higher than the highest legal rate shall be charged and payable to the Owners' Association by the defaulting owner for any assessment in default.

Article 29. Suit to recover a money judgment for assessments in default and interest due thereon shall be maintainable by the Owners' Association against the owner of a Unit for which any assessment is in default for more than 90 days.

CHAPTER VII - RESTRICTIONS ON USE; CONSTRUCTION

Article 30. Each owner is entitled to use the Common Property within the Condominium, subject to any restrictions in the law or regulations of the authorities, this Association Agreement, or any Bylaws or Rules and Regulations of the Owners' Association, but no owner may exercise the right to use the Common Property in such a manner as to harm the rights or interests of any other owner.

Article 31. An owner of a commercial Unit is entitled to use such Unit subject to any restrictions in the law or regulations of the authorities, this Association Agreement, or any Bylaws or Rules and Regulations of the Owners' Association, but no owner may use a commercial Unit in such a manner as to harm the rights or interests of any other owner.

Article 32. An owner of a residential Unit is entitled to use such Unit as a dwelling for the owner, his/her family, tenants or guests. An owner of a residential Unit shall have the right to lease the Unit provided the tenant agrees that its use of the premises will be subject to the restrictions in this Association Agreement or any Bylaws or Rules and Regulations of the Owners' Association.

Article 33. The owner of a Unit is responsible for maintaining the Unit in good repair and is liable for any damage caused by failure to do so. The owner of a Unit may perform construction in or renovation of the Unit so long as such work is performed solely at the expense and risk of the owner, and in accordance with any requirements of law and with this Association Agreement and any Bylaws or Rules and Regulations of the Owners' Association.

Article 34. Ordinary maintenance or repairs of the Common Property shall be performed upon the determination of the Executive Committee or the owners at a General Assembly that such maintenance or repairs are necessary for the upkeep of the Property. Ordinary improvements in the comfort and efficiency of the Property may be undertaken upon a majority vote of the ownership interests at a General Assembly. Installation of major equipment or other improvements of similar magnitude may be undertaken upon an affirmative vote of 80% of the owners at a General Assembly.

Article 35. Representatives of the Condominium shall be permitted to enter a Unit, after giving at least 5 days' notice to the owner, to make repairs, perform maintenance, renovate or replace Common Property within the Unit. If the need for access to a Unit is urgent, no such notice shall be required.

CHAPTER VIII - ENFORCEMENT; BYLAWS; RULES AND REGULATIONS

Article 36. Administration of the Condominium shall be in accordance with the provisions of this Association Agreement, and any Bylaws or Rules and Regulations of the Owners' Association, which shall be adopted by vote of the owners at a General Assembly.

Article 37. Each owner, tenant, or occupant of a Unit shall comply with the provisions of this Association Agreement and any Bylaws or Rules and Regulations of the Owners' Association, and with duly adopted decisions and resolutions of the Owners' Association. Failure to comply with any such provisions, decisions, or resolutions shall be grounds for an action brought in the name of the Owners' Association to recover damages or to seek injunctive relief against the owner in cases where the owner is in violation. In cases where a tenant or other occupant of the Unit is in violation, the Owners' Association may bring an action against the tenant or other occupant, or the owner of applicable Unit, or both, at the option of the Owners' Association.

Article 38. If a decision of the General Assembly or the Owners' Association or its representatives is contrary to law or this Association Agreement, or leads to considerable

grievance of the interests of a minority of the owners, any owner may commence a legal action against the Owners' Association for invalidation of the decision within 60 days of when it is made. The legal action does not suspend the execution of the action unless the court determines that such suspension is reasonable. The chairman of the Executive Committee shall represent the Owners' Association in actions commenced against it by an owner.

CHAPTER IX - REVOCATION OR AMENDMENT

Article 39. This Association Agreement may be revoked or amended only upon the affirmative vote of more than eighty percent (80%) of the Unit owners.

MODEL BYLAWS

BYLAWS OF _____ CONDOMINIUM

CHAPTER I - GENERAL PROVISIONS

Article 1. Ownership. The Condominium located at _____, in the Municipality of _____, has been established according to the provisions of the Condominium Law.

Article 2. Bylaws Applicability. The provisions of these Bylaws are applicable to all present or future owners, their tenants, and other persons who use the facilities of the Condominium.

CHAPTER II - ADMINISTRATION

Article 3. Owners' Association. The owners of the units in the Condominium shall constitute the members of the Owners' Association. The Owners' Association shall be responsible for administering the Condominium, managing the common property of the Condominium, approving the annual budget, and collecting monthly assessments from the unit owners. The Owners' Association may delegate the management of the Condominium to an Executive Committee and/or a property manager, an individual or firm operating under an agreement setting out the duties, obligations, compensation, and reasons for removal of the property manager.

Article 4. Annual General Assemblies. The Owners' Association shall meet at least once each calendar year in a General Assembly. The annual General Assembly shall be held on the ____ [first or second or third, etc.] ____ [Monday or Tuesday or Wednesday, etc.] of ____ [month] of each year. At such General Assembly, there shall be elected an Executive Committee. The owners may also transact such other business of the Owners' Association as may properly come before them.

Article 5. Special General Assemblies. The president of the Owners' Association shall call a special General Assembly of the owners as directed by resolution of the Executive Committee or by a petition signed by 20 percent or more of the owners.

Article 6. Notice of General Assemblies. The secretary shall cause to be delivered by mail or in person a notice of each annual or special General Assembly, stating the time, date, place, and purpose of the General Assembly, to each owner, at least 10 days prior to such General Assembly.

Article 7. Adjourned General Assemblies. If any General Assembly of owners cannot be convened because a quorum is not present, the owners who are present may adjourn the meeting to any time after the time the original General Assembly was called.

Article 8. Order of Business. The order of business at all General Assemblies of the Owners' Association shall be as follows:

- (a) Roll call.
- (b) Proof of notice of General Assembly or waiver of notice.
- (c) Reading of minutes of preceding General Assembly.
- (d) Reports of officers.
- (e) Report of committees.
- (f) Election of inspectors of election.
- (g) Election of members of Executive Committee.
- (h) Unfinished business.
- (i) New business.

CHAPTER III - VOTING; MAJORITY; QUORUM; PROXIES

Article 9. Voting. One vote shall be allocated to each unit in the condominium.

Article 10. Majority. As used in these Bylaws, the term "majority" or "majority of owners" shall mean owners holding more than fifty percent (50%) of the votes in the Owners' Association. Unless otherwise required by law or the Association Agreement, decisions of the Owners' Association shall be made by majority vote.

Article 11. Quorum. Except as otherwise provided in these Bylaws, the presence of at least 2/3 of the votes, in person or by proxy, shall constitute a quorum.

Article 12. Proxy Voting. Votes may be cast in person or by proxy. Proxies must be signed by the owner for which the votes will be cast and filed with the presiding officer before the beginning of each General Assembly where the proxy is to be exercised.

CHAPTER IV - EXECUTIVE COMMITTEE

Article 13. Number and Qualification. If approved by the owners at a General Assembly, the Owners' Association's affairs may be governed by an Executive Committee composed of ____ [odd number not less than three] persons, all of whom must be owners of units in the Condominium, to be elected by the owners at a General Assembly.

Article 14. Powers and Duties. The Executive Committee shall have the powers and duties necessary for the administration of the Owners' Association, and may do all such acts and things as are not by law, the Association Agreement, or these Bylaws directed to be done by the owners.

Article 15. Other Duties. In addition to duties imposed by these Bylaws or by resolutions of the Owners' Association, the Executive Committee shall be responsible for administering the following:

- (a) Care, upkeep, and surveillance of the common areas and facilities of the condominium.
- (b) Collection of monthly assessments from the owners.
- (c) Designation and dismissal of the personnel necessary for the maintenance and operation of the Condominium and the common areas and facilities.

Article 16. Property Manager. In addition to the Executive Committee, the Owners' Association may also employ a property manager to perform such duties and services as the Executive Committee shall authorize, including but not limited to the duties listed in Article Three of this article.

Article 17. Election and Term of Office. At the first General Assembly, the Owners' Association shall determine the length of the term for which the members of the Executive Committee shall serve. At the expiration of the initial term of each respective member of the Executive Committee, a successor shall be elected.

Article 18. Vacancies. Vacancies in the Executive Committee caused by any reason other than the removal of a member by a vote of the Owners' Association shall be filled by vote of the majority of the remaining members, even though they may constitute less than a quorum; and each person so elected shall be a member until a successor is elected at the Owners' Association's next General Assembly.

Article 19. Removal. At any regular or special General Assembly, any one or more of the members of the Executive Committee may be removed with or without cause by a majority of the owners, and a successor may then and there be elected to fill the vacancy thus

created. Any member whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting.

Article 20. Organizational Meeting. The first meeting of the newly elected Executive Committee shall be held within 10 days of election at such place as shall be fixed by the members of the Executive Committee.

Article 21. Regular Meetings. Regular meetings of the Executive Committee may be held at such time and place as shall be determined, from time to time, by a majority of the members, but at least four such meetings shall be held during each calendar year.

Article 22. Special Meetings. Special meetings of the Executive Committee may be called by the president on three days' notice to each member, which notice shall state the time, place, and purpose of the meeting. Special meetings of the Executive Committee shall be called by the president or secretary in like manner and on like notice on the written request of at least three members.

Article 23. Quorum. At all meetings of the Executive Committee, a majority of the members shall constitute a quorum for the transaction of business, and the acts of the quorum shall be the acts of the Executive Committee. If, at any meeting of the Executive Committee, there be less than a quorum present, the members present may adjourn the meeting from time to time. At any such meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

CHAPTER V - ACCOUNT AUDITING COMMITTEE

Article 24. Selection and Responsibilities. The owners may elect an Account Auditing Committee to review the accounts of the Owners' Association and advise the Owners' Association and the Executive Committee on the financial affairs of the condominium. If there is an Account Auditing Committee, it shall report to the General Assembly at least once a year on the financial status of the Owners' Association.

CHAPTER VI - OFFICERS

Article 25. Designation. The principal officers of the Owners' Association shall be a president, a vice-president, a secretary, and a treasurer, all of whom shall be members of the Executive Committee. The offices of secretary and treasurer may be filled by the same person.

Article 26. Election. The president shall be the person who receives the highest number of votes in an election of the Executive Committee. The other officers of the Owners' Association shall be elected annually by the Executive Committee at the organization meeting of each new Executive Committee and shall hold office at the pleasure of the Committee.

Article 27. Removal. On an affirmative vote of a majority of the members of the Executive Committee, any officer other than the president may be removed with good cause, and a successor elected at any regular meeting of the Executive Committee, or at any special meeting of the Executive Committee called for such purpose.

Article 28. President. The president shall be the chief executive officer of the Owners' Association. The president shall preside at all General Assemblies of the Owners' Association and meetings of the Executive Committee. The president shall have all of the general powers and duties that are usually vested in the office of president of an association, including but not limited to the power to appoint committees from among the owners to assist in the conduct of the business of the Owners' Association.

Article 29. Vice-President. The vice-president shall take the place of the president and perform the president's duties whenever the president shall be absent or unable to act. If neither the president nor the vice-president is able to act, the Executive Committee shall appoint some other member of the Executive Committee to do so on an interim basis. The vice-president shall also perform such other duties as shall from time to time be requested by the Executive Committee.

Article 30. Secretary. The secretary shall keep the minutes of all meetings of the Executive Committee and the minutes of all General Assemblies of the Owners' Association, shall have charge of such books and papers as the Executive Committee may direct, and shall, in general, perform all the duties incident to the office of secretary.

Article 31. Treasurer. The treasurer shall have responsibility for funds of the Owners' Association, and shall be responsible for assuring that full and accurate accounts of all receipts and disbursements are kept in books belonging to the Owners' Association. If there is an Account Auditing Committee, the Account Auditing Committee shall advise and assist in carrying out the duties of the treasurer.

CHAPTER VII - OBLIGATIONS OF OWNERS

Article 32. Assessments. All owners shall be obligated to pay regular and special assessments imposed by the Owners' Association to meet all common expenses of the Condominium, except for utilities or services to the property that are charged to the owners individually. Assessments shall be levied in accordance with the ownership interests allocated to each unit in the Association Agreement. Regular assessments shall be paid in accordance with procedures adopted by the Executive Committee. Special assessments shall be paid in an amount and manner approved by the owners at a General Assembly. Regular assessments may include payments to a general operating fund, and payments to a renovation fund if such a renovation fund is approved by the owners at a General Assembly.

Article 33. Maintenance and Repair. Every owner is responsible for maintaining his/her unit in good repair, and is liable for any damage caused by failure to do so. An owner shall reimburse the Owners' Association for any expenses incurred in repairing or replacing any common property or facility damaged through such owner's fault.

Article 34. Structural Changes in Units. An owner shall not make structural modifications or alterations in a unit without first notifying and receiving written approval from the Owners' Association, in writing. Such changes, if approved, shall be made at the sole risk and expense of the owner.

Article 35. Use of Common Areas and Facilities. Each owner is entitled to use the common property of the Condominium, so long as such use does not harm the rights or interests of the other owners. An owner shall not place or cause to be placed in the lobbies, vestibules, stairways, elevators, or other common property or facilities, any furniture, packages, or objects of any kind, except for refuse meant for disposal, which must be placed in containers provided for that purpose.

Article 36. Right of Entry. Representatives of the Condominium shall be permitted to enter a unit, after 5 days' notice to the owner, to make repairs, perform maintenance, renovate, or replace common property within the unit. Notice shall not be required for representatives of the Condominium to enter a unit in case of any emergency originating in or threatening that unit or any other unit or the common property, whether or not the owner is present at the time of entry.

Article 37. Rules of Conduct.

- (a) No resident of the Condominium may post any advertisements or notice of any kind in or on the common property, except as authorized by the Owners' Association or the Executive Committee.
- (b) Residents shall exercise care in making noise or using musical instruments, radios, television, and stereo equipment that may disturb other residents.
- (c) Throwing garbage or trash outside the disposal facilities and containers provided for that purpose is prohibited.
- (d) Residents may not install wiring for electrical or telephone installation, television antennae, machines, air conditioning units, or the like, on the exterior of the building or protruding through the walls or the roof of the building, except as authorized by the Owners' Association or the Executive Committee. Residents may not tap into utility or service lines serving the common property to appropriate utilities or services for their own use.
- (e) Residents may keep ordinary household pets. The owner of a pet is responsible for assuring that the pet does not soil or damage the common

property or any other unit, or cause disturbance to the other residents of the Condominium.

- (f) [Other rules approved by majority vote of the owners can be added to these or substituted for these.]

CHAPTER VIII - COMPLIANCE WITH BYLAWS

Article 38. Conflicts. In case a provision of these Bylaws conflicts with any provision of law or the Association Agreement, the law or Association Agreement shall prevail.

Article 39. Enforcement. Failure to comply with these Bylaws shall be grounds for an action brought in the name of the Owners' Association to recover damages or to seek injunctive relief against the owner in cases where the owner is in violation. In cases where a tenant or other non-owner occupant of a unit is in violation, the Owners' Association may bring an action against the occupant or the owner of the applicable unit, or both, at the option of the Owners' Association.

CHAPTER IX - AMENDMENTS TO BYLAWS

Article 40. These Bylaws may be amended by majority vote of the owners at a General Assembly convened for that purpose.

CHAPTER III

CONDOMINIUM OPERATIONS

This chapter describes how a condominium is governed and how it operates. It discusses the role of the Owners' Association and the Executive Committee, and provides procedures for conducting meetings.

A. THE OWNERS' ASSOCIATION

An Owners' Association is a private, nonprofit organization. It functions somewhat like a mini-democracy, in that it must operate in accordance with the law and written regulations, and most decisions are made by majority vote of the members.

Individual owners become members of the Owners' Association when they purchase their unit. Membership in the Owners' Association is automatic, in accordance with the Condominium Law and Association Agreement, and all owners must comply with decisions and regulations adopted by the Owners' Association.

In a condominium, the primary interest of the owners is in the continuing success of the Owners' Association. A well-functioning Owners' Association will help assure that the value of the property will be maintained or increased. It is important for the owners to participate in the activities of the Owners' Association to assure that the condominium is operated effectively and to protect their investment in their property.

STRUCTURE OF THE OWNERS' ASSOCIATION

General Assembly. The owners, acting together in a General Assembly, are the highest authority in a condominium. For the sake of efficiency, they may delegate much of their day-to-day decision-making power by electing an Executive Committee to manage the condominium.

Executive Committee. The authority to set the policies for the operation and management of the condominium usually is delegated by the members of the Owners' Association to an Executive Committee. Members of the Executive Committee are responsible to the owners and must act in the interests of the owners in carrying out their responsibilities. They may manage the building themselves, or may hire a professional property manager to do so.

Account Auditing Committee. The owners may elect an Account Auditing Committee to review the accounts of the Owners' Association and advise the Owners' Association and the Executive Committee on the financial affairs of the condominium. If there is an Account Auditing Committee, it must report to the General Assembly at least once a year on the financial status of the Owners' Association.

Property Manager. A property manager is a professional individual or firm retained to manage and operate the property in accordance with the policies of the Owners' Association. A property manager reports to and is supervised by the Executive Committee.

Other Committees. The Executive Committee may be assisted and advised by other committees, set up for a specific purpose and made up of owners. Committees may

be delegated authority to assist with renovation or other construction projects, maintenance of the condominium grounds, social or educational activities, and the like. Effective committees can play an important role in the operation of an Owners' Association.

Professional Services. Professional services, such as those provided by a lawyer or an auditor, may be needed from time to time by an Owners' Association. These services are retained and supervised by the Executive Committee.

Skilled Workers. Skilled workers, such as electricians, plumbers, carpenters, and the like, are contracted as needed by the Executive Committee or the property manager, acting on behalf of the Owners' Association.

Employees. Employees may be hired on a part or full time basis by the Owners' Association, if needed. They are supervised by the Executive Committee or property manager.

RESPONSIBILITIES OF THE OWNERS' ASSOCIATION

The major responsibility of the Owners' Association is to protect the investment and enhance the value of the property of the owners. This is done by providing for the physical maintenance and operation of the common property, and by using the funds of the Owners' Association in the most effective way possible. The Owners' Association may also provide common services such as security, common metering for the electricity, water, and sewer charges, garbage and trash collection, and snow removal.

The Owners' Association is responsible for enforcing the rules and bylaws of the condominium. It can also provide social and recreation programs, and set up an effective communication system among the owners.

MANAGEMENT OF THE CONDOMINIUM

The form of management selected by the Owners' Association depends on factors such as the number of apartments in the condominium, the condominium's physical facilities, the services provided to the owners, the skills of the owners and their willingness to spend the time and effort required, and the financial resources available.

Some Owners' Associations decide to contract for professional management services. Others rely on volunteers from the owners to manage the business of the Owners' Association. This can be very economical and allows for on-site control of the property. Some Owners' Associations use a combination of volunteers from the owners and part-time professional management, especially for the monthly record keeping and accounting. Property management is discussed more fully in Chapter IV of the manual.

Whatever form of management is used by an Owners' Association, the Executive Committee must monitor and evaluate the work to determine that it is being done correctly. That is because in many ways, an Owners' Association is like a business. To be successful, it must be operated like one. For example:

- It must operate and manage the condominium's facilities and services economically and efficiently.
- It must make accurate and forward-looking budgets for its operations.
- It must charge an adequate amount for the services provided to support the present and future costs of managing and operating the property.
- It must carry out swift and judicious enforcement of its rules and regulations.
- It must maintain professional relationships with many persons other than the owners of the property, including the property manager, independent contractors, the local government, and others.

CONDOMINIUM ASSESSMENTS

The Owners' Association sets the amount of assessments or fees each owner must pay each year, according to the projected operating expenses for the condominium as a whole. The Executive Committee or the property manager must prepare a budget for each fiscal year, on the basis of previous and current costs and the anticipated expenses for the next year. Expenses can be expected to increase each year because of factors such as inflation, real estate taxes, higher wage and management costs, the need for larger reserves, and additional services.

Each owner must pay his/her allocated share of assessments. If the Owners' Association does not receive the assessments it needs to operate, it will be forced to spend time and resources to collect from the delinquent owners. If the Owners' Association finds that it does not have the funds needed to operate as planned, it will be forced to cut back on maintenance or services. Failure by some owners to pay their share even may cause utilities or services to the whole building to be cut off. When the Owners' Association has inadequate funds, this will soon be reflected in the appearance and condition of the property, and in the quality of the operations. Inadequate maintenance and services ultimately cause the value of the property to decline for everyone.

OWNERS' ASSOCIATION REGULATIONS

When people share ownership and use of property, rules must be established to preserve the value of the property and its peaceful enjoyment by all residents. The legal documents which establish an Owners' Association also provide some guidance for regulating the operation of the property and rules for its use. The legal documents usually consist of the following:

Association Agreement. This document establishes the condominium Owners' Association, describes how the owners will share the common property, and defines the purpose, structure, and powers of the Owners' Association.

Bylaws. Bylaws provide more specific information about how the Owners' Association will function, the responsibilities of the members and the Executive Committee, the responsibilities of officers of the Owners' Association, and how meetings of the Owners' Association and the Executive Committee will be conducted. Bylaws may include general rules and regulations for the condominium, as well as a description of the rights and obligations of the owners and their use of the common property in the condominium.

PARTICIPATION BY THE OWNERS

Each owner should be involved in the operations of the Owners' Association. Involvement may mean paying assessments on time, cooperating with the Owners' Association, and participating when help is needed on committees, including the Executive Committee and the Account Auditing Committee, if there is one. At a minimum, each owner should participate and vote in the General Assembly of the Owners' Association.

Active involvement in the Owners' Association should be a rewarding and educational experience, and it provides the best opportunity for each owner to have a say in the management of the property and the protection of its value.

B. THE EXECUTIVE COMMITTEE

The members of an Owners' Association can elect an Executive Committee to set policies for the Owners' Association and to oversee the execution of these policies. In cases where a condominium elects an Auditing Committee, the members of that committee are responsible for overseeing the financial affairs of the condominium.

Management of the condominium may be carried out by a professional property manager, but in condominiums that have no property manager, the members of the Executive Committee themselves are responsible for executing the policies set by the Owners' Association -- by hiring employees, entering into contracts, using volunteers from among the owners, or performing certain management functions themselves.

Whatever form of management is used by a condominium, it is the responsibility of the Executive Committee to see that the policies are carried out.

Establishing clear policies helps assure that the building and grounds will be well maintained, that there will be adequate funds to repair or replace parts of the building and equipment as necessary, and that all owners will be aware of and abide by certain rules that make condominium living more pleasant and satisfying for everyone. Poor policies, on the other hand, result in economic instability of the Owners' Association, deterioration of the property, and conflict and dissatisfaction among the owners.

An Owners' Association should consider adopting bylaws or other operating regulations so that policies are clearly described and available in writing to all owners. When the rules and guidelines are known to all, they will be applied more fairly and predictably, and condominium living will be more satisfying.

These are the key areas for which the Executive Committee is responsible:

FINANCIAL PLANNING AND BUDGETING

An annual operating budget is a financial plan for meeting the costs of operating and maintaining the condominium property. The budget is based on the amount of income which the condominium can expect to receive during the year and the amount of money which it will have to spend to operate and maintain the project.

The budget may be prepared in preliminary form by the property manager, if there is one. Otherwise, the Executive Committee can prepare the budget. In any case, the budget should be reviewed and approved by the Executive Committee before it is presented to the owners for approval.

Preparation of a budget is discussed more fully in Chapter V - Financial Planning.

ACCOUNTING

Accounting procedures should follow generally accepted practices and standards. The accounts of the condominium should be audited at least once a year by the Auditing Committee or by an independent auditor, and a report made to the General Assembly.

A condominium should have two types of bank accounts: (1) a checking account for ordinary operating expenses such as management fees, employees' salaries, supplies and materials, utility bills, and charges for services such as trash collection; and (2) an interest-bearing savings account for reserve funds to pay for larger expenses, such as replacement of equipment or payments to contractors, or for expenses that come due only once or twice a year, such as insurance or taxes.

Detailed information on accounting procedures and the preparation of financial reports is included in the financial management chapter of this manual, Chapter VI.

COLLECTING MONTHLY ASSESSMENTS

Establishing and enforcing a clear policy for collection of monthly condominium assessments is necessary to the financial soundness of a condominium.

Payments should be made between the 1st and 5th of each month, and penalties or late fees should be charged for late payments. While every reasonable effort should be made to assist owners who have a temporary financial problem, it is important to remember that the failure of a few owners to make their payments promptly can jeopardize the financial security of every other owner.

The usual method of collection is to have each owner make payments directly to local banking institution which handles the accounts of the Owners' Association. The bank will report to the Owners' Association on the status of payments. An Owners' Associations also may collect fees directly from the owners.

The property manager or Executive Committee should send a notice to those owners whose payments are delinquent. The Executive Committee should establish a timetable for imposing late fees and the amount of the late fee, and for taking legal action against owners who fail to pay.

PROPERTY MANAGEMENT AND MAINTENANCE

The property management and maintenance responsibility of the Executive Committee usually is limited to the common property; the owners maintain their own dwellings. Proper management and maintenance of the property can often mean the difference between success and failure of a condominium. The goal of a good

maintenance policy is to obtain the longest useful life from all building components at the lowest possible cost.

More detailed descriptions about management and maintenance activities are included in the property management section of this manual (Chapter IV).

ESTABLISHING POLICIES

The owners themselves are responsible for setting policy for the condominium. In many cases, particularly in a large condominium where it is not practical for the owners to set all policies in a General Assembly, some of this responsibility is delegated to the Executive Committee. The following are some typical examples of areas where the Executive Committee establishes policies.

Personnel. The Executive Committee often establishes personnel policies, even if the condominium has a property manager to carry out the policies. The property manager should be responsible for hiring, supervising, and disciplining other personnel.

The principal factors for the Executive Committee to consider in developing a personnel policy include:

- job descriptions
- compensation
- holidays, sick leave, vacations, and overtime
- annual performance evaluation
- employee grievance procedures
- grounds for disciplinary action
- grounds for dismissal

Charges for Repairs to Units and Common Property. The Owners' Association ordinarily is responsible for handling all repairs to common property, including plumbing and electrical systems, the roof, doors, windows, and other parts of the basic structure of the building. The Executive Committee should determine who is responsible for the proper operation and maintenance of the electric, water, and sewer lines inside individual flats. The most practical and efficient policy is to place this responsibility with the Owners' Association, since the main objective is to have the repairs made quickly and properly so that the function of the systems as a whole are not jeopardized.

If repairs to the common property or to mechanical systems inside a unit are required through no fault of the resident, there should be no charge to the individual for repairs by the Owners' Association. But if the problem is a result of a resident's misuse or neglect, the cost of labor and materials should be charged to that person. This requirement could be specified in the bylaws.

The Executive Committee should set a policy permitting management to inspect the interior of all units at least once a year, to determine whether the utilities and the basic structure of the unit are being kept in good condition. This will also lead to the discovery of repairs that may be necessary to prevent serious deterioration of the common property or other units, and which might not otherwise be reported to management.

Structural Changes in Individual Units. No owner should be allowed to make structural changes or additions to his/her unit without approval of the Executive Committee. All construction in a condominium should be carried out in accordance with applicable laws. Regulation of these activities is not intended to discourage initiative or prevent improvements, but only to prevent damage to the property caused by unsafe or low quality construction.

The Owners' Association should have the right to regulate construction in the building because the mechanical and structural components of the property are interrelated, and damage to them from construction done in one unit can affect all the other units and the common property as well.

INSURANCE

The purpose of insurance is to protect the condominium from risks of damage to property or injury to persons for which the Owners' Association might be liable. Insurance risks to be covered by the condominium may vary, but in general the Owners' Association should obtain property and liability insurance.

If bonding or fidelity insurance is available to cover personnel who will be handling Owners' Association funds, that should be obtained as well.

MANAGEMENT - OWNER RELATIONS

The Executive Committee and management personnel must have the full support of the owners to carry out their duties successfully. The cooperation of the owners is particularly important in a number of respects, such as:

- paying monthly charges promptly
- reporting needed repairs to plumbing, wiring and other equipment

- reporting leaks or defects in roofing, windows and doors
- keeping apartments and common property neat and clean
- behavior of children and guests
- serving on committees or performing volunteer work

Individual owners do not have the authority to give orders to maintenance or management employees or to tell them how to do their jobs. All complaints should be referred to the property manager or to the Executive Committee.

THE ROLE OF COMMITTEES

The members of the Executive Committee cannot do all of the work of the Owners' Association themselves; they need the support and assistance of the other owners. Even if the Executive Committee could do all the work, the result would be poor policy, for ultimate responsibility for running the property should rest with all the owners.

One way to get owners involved in condominium activities is through committees, such as a property committee or an activities committee. (Other committees can be appointed, in accordance with the needs and interests of the Owners' Association .)

The property committee could help the Executive Committee set policies designed to maintain the property in the best possible physical condition. It would concern itself with problems such as use and maintenance of common property, and standards for additions or alterations in units.

The activities committee could organize social or recreational activities for the Owners' Association so that owners could get to know their neighbors and discover their common interests. For example, the committee could organize a holiday party or a lecture on a topic of interest to the owners.

C. MEETING PROCEDURES

Decisions of the Owners' Association and the Executive Committee are made at meetings. This section discusses how meetings are conducted. The use of an agenda and other standard procedures are helpful in ensuring that meetings run smoothly and efficiently.

Because General Assemblies involve large number of people, and the decisions made there are the most important, procedures for a General Assembly should be followed very closely by the presiding officer. Meetings of the Executive Committee can be somewhat more informal, but the basic rules should still apply.

THE AGENDA

General Assemblies and Executive Committee meetings will be more productive if they are organized around and follow an agenda. The preparation of an agenda for the meeting is the responsibility of the presiding officer, in consultation with the other members of the Executive Committee and the property manager, if there is one.

Although the agenda for meetings of the Executive Committee may vary from the agenda for a General Assembly, they both follow the same format. A typical agenda format is as follows.

Call to Order. The president or designated presiding officer calls the meeting to order by stating: "The meeting will now come to order."

Roll Call. The president may request the secretary to call the roll of the members present. A roll call is not required, but may be desirable at a General Assembly to assure the presence of a quorum, especially for a vote on an important issue.

Minutes of Preceding Meeting. The president may ask the secretary to read the minutes of the preceding meeting. Reading of the minutes may be dispensed with if there is a motion to that effect, and if the minutes have been distributed in writing to the owners prior to the meeting. The presiding officer should ask for corrections or additions, even if the minutes are not read.

Reports. The presiding officer asks for reports that are to be presented at the meeting, such as:

- report of the Executive Committee or the property manager
- reports of permanent committees, such as the Account Auditing Committee
- report of special committees

Unfinished business. The presiding officer should introduce business arising out of discussions at previous meetings. These matters may be acted upon or continued until the next meeting.

Nominations. If there is to be an election at the meeting, the presiding officer announces the nominations of candidates by saying: "Nominations for the office of _____ will now be received."

The nomination of candidates for office may be made by a special committee appointed by the presiding officer for that purpose, or by anyone from among the owners assembled. Nominations do not need to be seconded. Those nominated have the right to decline. When the presiding officer feels that no more nominations will be made for an office, he or she may close the nomination process.

Elections. The presiding officer announces the voting for the nominees for the office. The voting may be by voice, show of hands, ballot, or other method, as long as it is done in accordance with the Association Agreement or the bylaws of the condominium. Normally, the elected officers takes office at the next meeting of the Executive Committee.

New business. The presiding officer requests new business, saying "New business is in order." Other Executive Committee members, owners, the presiding officer, or the property manager may present concerns calling for action. Action is initiated when a owner makes a motion on a matter.

Motions. Motions are used to bring proposals before a meeting. An owner presents a motion, or a proposal, after being recognized by the presiding officer. If the motion is in order, the presiding officer calls for a "second" -- another person to support consideration of the motion. If no one seconds a motion, the matter is dropped and is not discussed further at the meeting. If a motion is seconded, the matter is discussed, possibly amended, and then it is voted on. The presiding officer announces the results of the voting, that is, whether the motion is approved or rejected.

Adjournment. When the presiding officer determines that there is no further business to come before the meeting, or no more time is available, a motion is made to adjourn the meeting. Motions to adjourn are seconded and voted on like any other motion.

CONDUCTING THE MEETING

The presiding officer must take charge of a meeting, so that the purposes of the meeting are accomplished in an orderly and efficient manner. The presiding officer has the following specific responsibilities:

- call the meeting to order
- recognize members who wish to speak
- encourage discussion of the pros and cons of an issue
- keep discussion focused on problem at hand
- explain the effects of the motion where uncertainty exists
- dispose of the business at hand
- close the meeting

Observing the following guidelines will help the presiding officer fulfill his/her responsibilities:

- control the meeting without coercing the owners
- be well-informed about the condominium's operations
- be courteous
- avoid hasty action
- be fair, impartial, and impersonal
- speak to the issue under consideration
- use common sense

Certain principles should be followed to help resolve conflict and create a spirit of cooperation and consensus among the owners. These include:

The discussion should be fair. Give everyone who wants to speak an opportunity to do so before any individual can speak more than once. Limit the length of comments so no one can dominate the discussion. Encourage participation by making comments such as: "I believe you have some ideas on this issue. Why don't you tell us what you

think?" Nothing antagonizes people more than the feeling that they have been railroaded or that no one listens to them.

Make sure the owners are informed. Give owners advance notice of important issues which are coming up. Give them the facts by letter or in the newsletter. For elections, print resumes of candidates and distribute them ahead of the election. Hold two meetings instead of one, if more time is necessary to give people a chance to think through their decisions.

Make sure the owners understand what is happening. Give people a chance to ask questions. After you have answered, ask: "Does that answer your question?" If not, try again. Take time to read the motion under consideration just before you take a vote. Write the names of candidates plainly on a blackboard, or better yet, have ballots prepared ahead of time.

Encourage the timid. Do not let a loudmouth intimidate less vocal owners. Some people find it very difficult to stand up in a meeting and voice an opinion. Members of the Executive Committee should make themselves available between meetings for individual conversations. These informal discussions can be an important source of information about the opinions of owners.

Encourage compromise. Many times the predominant opinion can incorporate ideas from the opposition. The object is not to crush the opposition but to achieve the most satisfaction among the greatest number of owners.

Discourage power politics. A condominium can be seriously injured by any faction which uses ruthless tactics. A faction at one condominium began a filibuster to stretch out the meeting until the early hours of the morning, hoping that most owners outside the faction would go home and leave the faction in control. The other owners stopped that tactic by voting for adjournment at ten o'clock. They could have limited debate as an alternative measure. Do not be afraid to take action necessary to maintain democratic principles.

RECORDING THE MINUTES OF MEETINGS

It is essential to make a record of what took place at a meeting and what actions were taken. Such a record makes it possible to refer to past decisions and is part of the institutional history of the Owners' Association.

The secretary is responsible for keeping the minutes of meetings. Usually, the secretary takes notes during the meeting and later prepares the minutes. When the minutes are completed, the secretary signs them. After they have been approved by the owners at the next meeting, the secretary files them with the other records of the Owners' Association.

The minutes follow the agenda for the meeting. They might include, for example, the following:

- type of meeting (Executive Committee or General Assembly)
- date, time, and place of the meeting
- name and title of person presiding at the meeting
- business introduced
- reports submitted
- motions made
- decisions made or action taken
- nominations
- results of voting on nominations

CHAPTER IV

PROPERTY MANAGEMENT

This chapter discusses management and maintenance of the condominium property. It provides information on hiring a professional property manager and other types of property management, conducting a building inspection, and contracting for major repairs.

A. TYPES OF PROPERTY MANAGEMENT

In condominiums where a professional manager or management firm is retained, there will also be an Executive Committee elected by the membership of the Owners' Association, and in some cases, an Account Auditing Committee as well. This combination allows for policies to be set by elected owners, with the policies carried out by professionals with financial and property management expertise.

EVALUATING MANAGEMENT OPTIONS

There are a number of options available to an Owners' Association for managing the condominium property, each of which has advantages and disadvantages. These options include:

- Self-management, by the owners themselves
- Management by a professional property manager or management firm

Self-Management by Owners. There are a number of advantages to having owners manage the property themselves. The most obvious is the low cost. Others are the opportunity to exercise direct control over decisions and actions, and the likelihood that managers who are also owners and residents of the condominium will be more sensitive to the owners' needs.

The disadvantages are also several. They include the risk of unnecessary costs as a result of inexperienced management, the difficulty of finding and motivating volunteers, the possibility of inadequate performance by owners, and the loss of continuity as a result of turnover.

Management by a Professional. There are several advantages to hiring a professional property manager or management firm to assist with the operations of a condominium. These include the opportunity to hire personnel with in-depth expertise who tend to be more objective than owners can be, the benefit of using tested administrative procedures to manage the work, and the likelihood of continuity.

Among the disadvantages are the need to find a person or firm with the proper qualifications and desired staff, the possibility that the firm may be insufficiently interested in the owners' needs and therefore unresponsive, and the likelihood of increased cost.

Because there is an Executive Committee elected by the members of the Owners' Association, and in some cases an Auditing Committee as well, the policies of the Owners' Association will be set by owners elected by their co-owners, with the policies carried out by professionals with financial and property management expertise.

JOINT MANAGEMENT BY MULTIPLE ASSOCIATIONS

A special management problem arises when several buildings or Owners' Associations share a common facility or common property. For example, sometimes four buildings form a square with a shared courtyard or playground, or, in a large building, separate Owners' Associations may be formed for each stairway but the entire building is constructed with one unified roof.

There should be a legally enforceable agreement or contract among the parties to establish how they will share management responsibility and the expenses of operating, repairing or replacing a the property or facility they share. Such a master agreement among multiple Owners' Associations is intended to facilitate cooperation and avoid conflict when two or more buildings or parts of one building that share a common facility, such as a roof, boiler or central courtyard, and are divided into separate condominiums, each with its own Owners' Association.

It can be a simple agreement, so long as the following items are included:

- the identity and location of each of the Owners' Associations
- the purposes of the Agreement
- how the Owners' Associations will be represented in carrying out activities relating to the property or subject of mutual interest, such as on a committee
- how the representatives of the Owners' Associations (the committee) will operate and the scope of their authority
- how expenses of activities relating to the common property or subject of mutual interest will be allocated

A model Master Association Agreement is provided at the end of this chapter.

B. PROFESSIONAL PROPERTY MANAGEMENT

Before an Owners' Association hires a professional property manager, it should make sure one is needed. Owners who manage their own building save money and often do the job very effectively because they have the most at stake. What does an Owners' Association gain by hiring a manager?

The two most important reasons to hire a professional property manager are: (1) to establish continuity in the management of the property, and (2) to provide professional expertise and assistance in engineering and financial matters. Sometimes a building has specific problems, like difficulty in collection of assessments, or complicated projects, like a renovation, that require special expertise or would take up too much of the Executive Committee's time and energy and detract from day-to-day operations. Delegating management to an outside professional may allow the members of the Executive Committee to function more effectively. Also, if there are serious disputes or power struggles between groups of owners, conflict might be minimized by hiring an impartial professional to manage the property.

An Owners' Association probably will not benefit if it hires professional management only because the owners are too disorganized or indifferent to handle the business of the condominium themselves. In such a case, management would not be sufficiently accountable or properly supervised, or the owners may give up too much control over the operations of their property. A manager can only be as good as the direction and supervision he/she receives from the Owners' Association. An Owners' Association cannot give the manager a "blank check" and hope to have a productive relationship--the Owners' Association must establish and remain in control.

The final decision about whether to hire a professional manager should be made by the owners at a General Assembly, after receiving the vote of the Executive Committee. If the vote is affirmative, the actual task of hiring should go to the Executive Committee.

SELECTING A MANAGER - THE HIRING PROCESS

Selection Committee. Before looking for a manager, the Executive Committee must decide if it will take on this task itself or appoint a special committee. The Executive Committee should keep in mind that selecting a manager is a time-consuming task and the process will benefit if the selection committee has business, financial, and engineering expertise. A special committee comprised of both some members of the Executive Committee and some other owners may be best.

Job Specifications. First, the selection committee must prepare specifications for the job and write a job description. This requires an in-depth analysis of the management needs of the condominium, and then a determination of which of these services the

manager is expected to perform and which services can be efficiently and effectively provided by on-site employees, outside contractors, and the owners themselves. Of course, the Owners' Association must consider its ability to pay for the desired services.

It is always the job of the Owners' Association (acting through the Executive Committee) to establish policies for the condominium. The manager's job is to implement these policies in a fair and efficient manner.

The manager supervises other employees of the Owners' Association, and monitors the work of contractors working for the Owners' Association. The manager pays bills and keeps the books and records of the Owners' Association. The manager reports defaults in the owners' financial obligations to the Owners' Association, and recommends when legal action would be appropriate. (Legal action should not be initiated without the approval of the Executive Committee.)

The manager obtains supplies needed by the Owners' Association, periodically inspects the condition of the property, establishes and carries out a maintenance schedule, makes or arranges for routine repairs, and makes recommendations regarding major repairs and replacement of building components.

The following is a list of some typical management activities:

Fiscal:

- assessment collection
- delinquency follow-up
- bill approval and payment
- payroll accounting for on-site personnel
- financial reports
- tax returns
- budget preparation
- reserve analysis (long-range planning)

Administrative:

- executive meeting attendance
- general assembly attendance
- general assembly notice to members
- vote tabulation (including proxies)
- transcription of minutes
- records and file maintenance
- new resident orientation
- contract coordination
- monthly management status report

- legal and municipality liaison
- insurance liaison
- recording and processing work orders
- hiring, supervising and terminating on-site personnel
- general correspondence

Building and Grounds Maintenance:

- janitorial
- minor plumbing repairs
- minor electrical repairs
- painting
- periodic inspections
- liaison with outside contractors
- trash collection
- landscaping and snow removal

Identifying Candidates. Once the job specifications have been prepared, the selection committee can begin to look for candidates. This is usually done by talking to Owners' Associations in other condominiums, contacting professional management firms in the area, and advertising.

After several suitable candidates have been identified, they each should be invited to submit a proposal or a statement of their qualifications, and a list of references. When checking the references, the selection committee should determine whether the building contacted has had problems similar to theirs, and how the manager performed in a variety of circumstances.

After the selection committee eliminates those who fail to submit a proposal or who appear from their proposal to be unqualified, and those whose references give unsatisfactory reports, the selection committee should interview the remaining candidates.

Interviewing. The interviewers should determine the following:

- What is the candidate's specific experience?
- Does the candidate have the skills and experience to meet the needs of this building and Owners' Association?
- Will the candidate be compatible with the owners and the building?
- Will the candidate be available and accessible when needed?
- Can the Owners' Association afford the cost of hiring this candidate?

Selection. The selection committee should get together to discuss all the information it has obtained and each candidate's strengths and weaknesses. It may ask for a second interview of one or more candidates if the best choice is not clear. The final decision should be made by the Executive Committee, after receiving the recommendation of the selection committee.

THE MANAGEMENT CONTRACT

Once a property manager has accepted the position, the Owners' Association and the property manager should enter into a management contract. The job specifications are the most important part of the contract.

The management contract is the legal document that determines the relationship between an Owners' Association and its property manager. It specifies not only what the Owners' Association is hiring the manager to do, but also the terms of employment: salary, length of contract, and procedures for termination or resignation. A sample management contract is provided at the end of Chapter IV.

Terms of Employment. The management contract should specify how much the manager will be paid, how long the manager will be expected to provide services to the Owners' Association, under what circumstances the Owners' Association may terminate the management services, and the conditions under which the manager may terminate the contract. It is a good idea to include a provision that the manager will be warned if performance is inadequate before the manager's employment is terminated.

WORKING WITH THE MANAGER

The key to a successful working relationship between an Owners' Association and a property manager is effective communication. The Executive Committee should designate a contact person--preferably a member of the Executive Committee--for exchanging information with the property manager. One person in frequent contact is more effective than many persons with one-time or infrequent contact, since multiple contacts may give conflicting instructions and would not have the benefit of information that comes from an ongoing relationship with the property manager.

The property manager should attend meetings of the Executive Committee, to provide a report of management and financial activities since the last meeting and to receive instructions and suggestions on projects and priorities among the manager's responsibilities.

Performance Evaluation. The property manager should perform the job with a high level of efficiency and organization. The property manager should respond promptly to requests for meetings or information, should maintain records (repairs and maintenance,

financial, payroll, legal) in an orderly filing system, and report to the Executive Committee regularly on the different areas of management responsibility.

The Executive Committee should tell the manager periodically how well the job is being performed and if improvement is needed.

Solving Problems. If the Executive Committee finds there are areas where the property manager's work is unsatisfactory, it should first make sure the property manager understands the job and its duties. The Executive Committee should meet to go over the problem that has been identified and the requirements of the management contract. The property manager and the Executive Committee should try to work out a strategy together for solving the problem. This is usually sufficient for correcting routine problems.

If the situation does not improve, however, the Executive Committee should send a warning letter to the property manager, spelling out the problem, how they had agreed to address it, and the facts showing that the problem has not been solved. A time limit should be given for resolving the problem. If the property manager's performance still does not improve, the Executive Committee should terminate the management contract.

Remember: careful selection and good communications are the keys to establishing and maintaining a good relationship, and help prevent the disruption of terminating and replacing a property manager.

C. GENERAL MAINTENANCE GUIDELINES

To protect the owners' investment in the condominium, it is essential to maintain the condominium's property and equipment in good condition.

EQUIPMENT MAINTENANCE

An Owners' Association should practice "preventive maintenance" for its equipment. This requires carrying out a scheduled program and keeping records of the following:

- Date of purchase of equipment.
- Service guarantee or warranty.
- Spare parts to be kept in stock for repairs.
- A schedule for preventive maintenance inspections and work on equipment such as pumps, motors, tanks, and electrical transformers.
- A record to indicate when large pieces of equipment were serviced and what parts were changed.
- An estimate of when items of equipment will need to be replaced.
- Reserve funds needed for replacement of equipment.

If these records are maintained on each piece of equipment and sufficient reserve funds are set aside each month, the Owners' Association should be able to repair or replace equipment as needed.

BUILDING MAINTENANCE

The need for preventive maintenance also applies to the exterior and common areas of buildings. The plan should include the following procedures:

- A system of receiving and recording requests for repairs and transmitting them promptly to management.
- Keeping an adequate record of maintenance or repairs.
- A locked storeroom where sufficient materials, supplies, and tools are kept on hand so that maintenance personnel can promptly find needed items and where a record of issued materials may be kept.

- Periodic conferences between the Executive Committee and property manager and maintenance personnel to discuss maintenance standards and future plans, and to ascertain whether current work is progressing as planned.
- An annual physical inspection of each dwelling unit, the building, and all facilities to identify all items requiring repair or replacement.

The annual inspection would take note of items such as the following: plaster defects, paint deterioration, termite damage, roof deterioration, overloading of electric circuits, corrosion, defective plumbing, deterioration of windows and screens, and the like. A follow-up procedure should be established to see that all required repairs and replacements have been carried out within a reasonable time.

MAINTENANCE RECORDKEEPING

The number and extent of maintenance records kept will be influenced by the size and the complexity of the property. Basic records are described below, and sample forms are included at the end of Chapter IV. The forms may need to be modified to suit particular needs of a condominium.

Work Order Form. Each work order should be prepared in duplicate, preferably with one printed on white and the second on contrasting colored paper and padded with carbon paper so that both copies are filled out simultaneously. The order gives the location and nature of work to be done, the date, the serial number of the order, the owner's name, and the time the work was begun and completed.

The original copy is generally given to the worker assigned to the job, and the carbon copy is retained by the property manager. If materials are issued to the worker, these are recorded on the property manager's copy. Otherwise, the worker enters the material used when the job is completed. When necessary, the worker also adds to or corrects the description of the job and obtains the owner's signature.

When the completed work order is returned, the property manager can decide whether the owner should pay a charge for the work. Standard charges are desirable for the more common items, for example: replacing a window pane, cleaning out a drain, replacing the screen in a door.

Building and Grounds Inspection Forms. These forms list the elements to be inspected periodically. Separate forms are needed for a unit inspection, a building inspection, and a grounds inspection. (While the Owners' Association is not responsible for maintaining the individual units, certain components of the common property are located inside or accessible only in units, such as plumbing fixtures and electrical outlets.)

Inspection records are basic tools in the overall preventative maintenance program. Problems can be noted in the course of an inspection and, if a problem cannot be corrected on the spot, the form will provide needed information for issuing a work order. The duplicate of the work order then serves as a follow-up check to see that the work has been done.

Equipment Inspection Form. Each piece of major equipment--pumps, motors, fans, power equipment, etc.--should have its own inspection card. All inspection, maintenance, and repair information, including costs of major repairs done by outside contractors, should be entered on the card. Periodic review of these cards will help establish an effective inspection schedule.

INSPECTION CHECKLIST

The following check list might be used by the property manager, the caretaker, or whoever is responsible for keeping track of the building's condition and doing routine maintenance and repair inspections. The list is similar to the one used for a building condition survey, but less detailed. The results of these periodic inspections and repairs should be included with the building condition survey in a maintenance and repair file. The full building condition survey is discussed in the next section, and a separate form is provided at the end of Chapter IV.

Roof:

- Clean drains and keep them unobstructed.
- Replace or repair loose or missing coping stones.
- Check for cracks or blisters in the roofing, and repair as needed.
- Sweep off standing water after rains.

Exterior Walls:

- Maintain gutters and downspouts so that water does not run down along the building's walls.
- Check condition of mortar between bricks or panels, and repair as needed.
- Check condition of caulking and weather seal around windows and doors, and repair as needed.

Windows and Doors:

- Keep all wooden parts freshly painted.
- Check putty and replace as needed.
- Replace cracked or broken panes as soon as possible.
- Lubricate all hinge and lock mechanisms frequently, especially in wet or cold weather.
- Check operation of latches and locks, and repair and replace if necessary.

Plumbing:

- Repair leaky faucets as soon as they are reported.
- Check for plumbing leaks and repair immediately.
- Clean sink traps and house trap if draining is slow.

Electrical:

- Check operation of appliances and lighting.
- Inspect owner wiring practices periodically to check for fire hazards.
- Make sure there is easy access to meters and switches.
- Replace fuses as needed, and keep a good supply of fuses available at fuse boxes.
- Keep meters clean and well-lit.
- Make sure that cables and conduits are firmly attached to walls or beams, and that nothing is hanging from them.

Security and Fire Safety:

- Replace burned out light bulbs immediately.
- Check to see that all valves and meters are marked for easy identification in an emergency, and keep all keys handy for the same purpose.
- Secure vacant apartments against entry, and check on them periodically to make sure that nothing has happened inside.
- Check fire escape condition, and maintain or repair as needed.

D. THE BUILDING CONDITION SURVEY

This section is to help the person who is not a professional property manager or engineer conduct a survey of the condominium property. An inspection should be done periodically, at least once a year. Surveying the building is necessary to determine what repairs must be done immediately or in the short term, and for long range planning.

A sample building condition survey form is provided at the end of Chapter IV.

No particular expertise is needed to conduct most of this survey, although for some of the more technical parts, an expert may be advisable. The most important thing is to be careful and thorough.

At least two people should be present to back each other up and catch items that one person might have missed. They should bring a clipboard with plenty of paper to keep a running list of what they find, and draw pictures of particular problems they encounter, if need be. They will need a flashlight, an ice pick or pocket knife for checking to see if wood is rotten, and a tape measure to help locate a problem exactly when they write it down.

The inspectors should be liberal. They should write everything down. The better informed the owners are, the easier time they will have managing repair and maintenance problems.

To simplify things, the inspectors should divide the building and its systems into smaller components. They should begin at the bottom and work up.

THE BASEMENT

- Corridors: Are they clean, clear and unobstructed?
- Exits: Are they clearly marked, unobstructed and operable?
- Lighting: Are all areas of the basement well lit, even the corners? Are all fixtures working, and all bulbs still good? Are switches clearly marked and unobstructed?
- Garbage Room: Are the cans up off the floor on pallets? Are the cans in good shape, with tight-fitting lids? Are there rat or rodent problems? Is the room swept and clean? Are there odor problems?
- Meters: If there are gas, electric, or water meters, are they easily accessible to meter readers and residents? Are they clean and protected from damage? Are they well lit?

- Storerooms: Are they secure and safe? Are they well lit? Are the contents of storerooms all accounted for? Are there pallets and shelves to keep stored material off the floor in case of a flood?
- Windows and Doors: Are all the windows and doors intact and in good shape? Do the locks work well? Are operable units still working? Are doors obstructed by piled junk? Are windows and doors tight in their frames so that there are no bad heat leaks? Are they freshly painted and puttied?
- Ceiling, Walls, and Floor: Are they clean and well kept up? How is the paint? Are there leaks of dirt or water around the foundation walls? Are the floors uncluttered, dry, and free of oil or grease?
- Plumbing: Are there any obvious plumbing leaks? Are hot water overheads and risers insulated? Are all valves plainly marked, color coded, and well lit? Are overheads fastened in place, not loose or dangling? Are floor drains and the house trap clear and clean? (You may want to bring along someone who is familiar with plumbing when you inspect this system.)
- Wiring: Is the wiring intact and well protected? Is all the wiring accounted for, or are there dangling wires that do not seem to lead anywhere? Are the cables encumbered, by hanging junk for instance? Is the service panel unobstructed and well lit? Are there any signs or evidence of problems, such as scorch marks, or frayed wires or cables? (You may want to bring along an electrician when you inspect this system.)

THE HEATING SYSTEM

- Controls: Are all the controls clean, easily found, and well marked? Are they operable?
- Piping: Is all piping in good condition? Are valves clearly marked? Are risers and overheads insulated? Are all connections tight and without obvious leaks?
- Burner/boiler: If there is a burner or boiler, is the floor around it free of oil spills? Is there enough space to prevent fire hazards?
- Water Heater: If there is a water heater, is it dry, tight, and insulated?
- Water supply: If there is an automatic boiler water supply, is it in good working order? If not, is there a faucet with a hose end in the boiler room?

- Ventilation: Is the burner/boiler well ventilated to the outdoors? Is the boiler room properly vented, and are the vents open and unobstructed?
- Fire-rated enclosure: Is the burner/boiler unit surrounded by an enclosure which meets fire rating standards?
- Oil storage tank permit: If one is required, is the permit from the Fire Department current and displayed within sight of the boiler?

LOBBIES AND HALLWAYS

- Mailboxes: Are all mailboxes clean and in good condition? Do they open and close well? Do locks work? Are residents' names marked on them?
- Stairways: Are stairs in good condition, without loose treads or pulled up carpeting that could cause accidents and falls? Are they well lit, clean, and unobstructed? Are all handrails intact and securely fastened?
- Apartment doors: Are all apartment entry doors well marked with either the apartment number or the occupant's name(s)? Are the doors in good shape, without holes or broken locks or hinges?
- Lighting: Are all hallways, stairwells, lobby, and any other public spaces brightly lit at all times? Are light bulbs in place and all fixtures still working? Are switches easily located and well marked?
- Ceilings, walls, and floors: Are all surfaces clean and in good repair, free of holes, cracks, or peeling paint? Are walls and ceilings freshly painted? Is the finish floor safely fastened, without loose tiles, boards, or carpet?

INDIVIDUAL APARTMENTS

While maintenance of individual apartments is the responsibility of the owner, certain components of the common property can be accessed only through the apartments. The Owners' Association has the right to determine whether these components are in good working order, since a problem in one apartment may affect the whole property.

- Windows and window gates: Are the windows in good repair? Are all the panes in place? Are any cracked? Is the wood solid, free of rot, and freshly painted? Is the window putty cracked or dried out? Do the windows slide smoothly and close tightly? Are the windows weather-tight? Are the window locks sufficiently secure and in good operating condition? If you have

window gates, is the paint still good? If they are supposed to open, do they still work? If they are the key type, is the key easily accessible?

- Bathroom: Are all fixtures in good operating condition? Are faucets easy to use? Do they shut tightly, without dripping? Are there leaks around faucets, or around the toilet? Are drains clean and operable, free of obstructions? If there is a shower, is the surrounding area fully waterproofed? If the bathroom ventilated? If there is an exhaust fan, is it working?
- Kitchen: If there is a gas stove, is it in good working order, with all pilots operating and no smell of leaking gas? Does the sink fill and drain quickly? Are there any plumbing leaks?
- Heating: Are all radiators in good operating condition, without leaks or rusty puddles beneath them? If there are valves and controls, do they work well? Do the radiators provide sufficient heat to all rooms? Are they unobstructed?
- Wiring and electricity distribution panels: Is wiring adequate for current needs? Do the occupants blow fuses often, indicating overloaded circuits? Are fuses in adequate supply, and the fuse box or circuit breaker box well marked? Are there any signs of trouble, such as scorch marks around outlet sockets, warm spots behind outlets, or switches which could suggest overloaded wiring?

BUILDING EXTERIOR

- Roofing and skylights: Is the roof in good condition? Are joints well sealed, and seams tight, without open cracks or bubbles where strips of roofing material overlap? Is the roof surface free of punctures or tears? Does water run off freely without puddling? Is the flashing around skylights well sealed? Is the roof clean and free of litter or debris?
- Roof drainage: Are all gutters and drains clean, unblocked by leaves or trash? Is the sealant around drains still intact? Does water collect around the drains in puddles that could lead to leaks?
- Downspouts: Do all gutters have downspouts where they are needed? Are downspouts in good condition, not rusted or broken? Do downspouts keep water away from the building facade, or does water leak down the side of the building?
- Parapet walls: Are all parapet walls intact and upright? Are all coping stones solid and in place, with no gaps or loose stones? Is the flashing around the base of the parapet wall solid and strong?

- Vents, stacks, and chimneys: Are chimneys upright and intact, with all bricks and mortar in good condition? Is flashing around the chimneys, vents, and stacks intact and well sealed? Are vents and stacks present, not broken off or bent? Are vents and stacks clear, not blocked with debris dropped or forced down them? Are vents and stacks protected from blockage by reverse curved ends or screens?
- Masonry facade: Are the bricks and mortar on the building's outside walls in generally good shape? Are there any missing bricks, or sections where the mortar has washed out? If a wall was once a party wall with another building, is that wall solid and weatherproof?
- Windows: Are all windows in place, in reasonably good condition on the exterior, without missing panes? Are frames set tightly into the masonry opening, without gaps or cracks where water could get in? Are the window frames well caulked and weathertight? Is the exterior sill on every window solid, not rotten, and does it drain water away from the wall?
- Doors: Are all doors functioning? Are any missing? Are all hinges well oiled and fully fastened? Are all locks in good working order, fitted with keys that work? Are door stops and weather seals in good shape? Are doorways clean and unobstructed by debris? Are basement window wells empty, free of leaves or litter?
- Fire escapes: Are all fire escapes intact and freshly painted, with no bright undercoat showing through anywhere? Are escapes fastened solidly to the building wall? If the escapes have retractable sliding ladders, do these mechanisms work easily and quickly? Are fire escapes and ladders clear, unobstructed by plants, furniture, or junk?
- Courtyards and airshafts: Are courtyards clear, free of litter, and well paved? Are paths smooth and curbs in place? Are airshafts clean, not filled with garbage or debris?
- Sidewalks: Are sidewalks surrounding your building in good condition, with no bad cracks or missing pieces of pavement?
- Gates and fences: If your building has gates and fences around it, are they in good repair? Do the gates open and shut easily and tightly? Are the gates and fences freshly painted and free of plant growth or underbrush?
- Lighting: Is all exterior lighting in good working condition? Do all fixtures have bulbs in them and are they operating? Are fixtures well aimed? Are bulbs protected by screens? Is sufficient lighting provided in high danger

zones, such as stoops and doorways? Are paths well enough lit to prevent accidents?

- Area drains: Are area drains in courtyards and airshafts and on paths outside your building clean, unblocked by debris, and draining well? Does water run toward them quickly, without pooling? Is the paving around them solid, not cracked? Are the drains well screened to keep obstructions from washing, or being forced, down them?
- Retaining walls: Are foundations and retaining walls in good shape, not buckled or badly bulging? Are plants kept well away from them, so that they can't tear mortar from between the blocks? Is the ground surrounding the building clear and solid, without deep holes which could indicate bad roof-water run-off and possible leakage into the basement and weakening of the walls?
- Stoops: Are front and back stoops in good shape? Are the steps to them solid, without broken or missing treads? Are all railings intact and strong? Are stoops well lit?

When the inspectors have completed the survey--and it may take a few weeks to do so -- the Executive Committee or maintenance and repair committee should meet to review the findings. The point of the meeting is to figure out repair priorities and make up a preliminary action list.

Then the Owners' Association should hold a General Assembly, to let everyone in the building know the survey results. The Executive Committee can propose repair priorities at that time and take suggestions, then work out a final priority list.

E. REPAIR OR REPLACE

In maintaining the property, the owners frequently will have to decide whether to repair or replace something. This is sometimes a purely technical question, but in most cases finances also must be carefully considered. What can the Owners' Association afford? The Owners' Association may have only enough money to repair the roof, even though it is clear that eventually the roof will have to be replaced.

For tasks that are labor intensive, that is, jobs that cost far more in labor than materials, it often makes sense to replace rather than repair. Even if it costs a bit more at the outset, it will save money in the long run. For instance, if the wood in the window frames is rotted, it would take a carpenter many, many hours to make new pieces to fit the old rotted frame, and the end result would be just a half-new window. For slightly more money, the owners could buy and install a brand-new, completely weathertight window unit. The new window would be a far better choice.

Plaster work is another labor intensive job. It is often cheaper to tear down an old wall and put up sheetrock instead of paying for painstakingly patching plaster, the useful life of which may only be a few more years.

If materials are the largest part of an estimated repair cost, then it probably makes sense to make repairs. But if a relatively simple and inexpensive repair must be done over and over again, it may be cheaper in the long run to spend the money now to replace whatever it is that is breaking so often.

If there is constant need for patching the roof and leaks are threatening the structural integrity of the building, for instance, the owners will not only have to pay for service calls, but there is a good chance that the damage to the building could cost more than a major repair job or even replacement of the roof. The owners should determine whether they can scrape together or borrow the cash for a major repair job or a new roof. This may be the better investment of their money.

F. WHAT TO DO FIRST

Many condominium buildings will need extensive repair work, but during the first winter it is likely that the top priority will be simply keeping warm. Whether intentional or not, this need establishes a repair priority; everything else must wait until work can be done to make the building more airtight and energy efficient.

This is, however, only a temporary priority. It should soon give way to a longer term analysis of what needs to be done and when. Emergency repairs put off during the first heating season will need to be taken care of as soon as possible the next summer, when heat is not a problem. After that, and after a building condition survey has been completed and evaluated, the Owners' Association should adopt a regular method of deciding the priority status of a needed repair.

Such a priority system might start with all repairs needed to ensure the health and safety of residents. Second should come repairs which will upgrade the building's condition, and prevent further deterioration of any of the building's systems. Third, the Owners' Association may want to get to amenities and cosmetic improvements.

Once the Executive Committee or the property manager has established a repair priority system, it becomes part of the overall maintenance policy and should be shared with all the unit owners. This will help them anticipate when work will be done, and when non-routine expenses will be incurred.

G. CONTRACTING FOR MAJOR REPAIRS OR RENOVATION

When making major repairs or renovations, it is usually necessary to contract with an expert to do the work. Sometimes it is advisable to hire a professional engineer or architect to help plan the work as well.

HIRING AN ARCHITECT OR ENGINEER

Hiring an architect or engineer may be advantageous or even necessary to assist with major repairs or renovations. First, an Owners' Association might hire an engineer or architect to inspect the building to determine if a problem exists. This is recommended particularly in cases where there may be structural problems.

Second, an Owners' Association might hire an architect or engineer to prepare a scope of work, specifications, and/or drawings which describe in detail the work to be done. Certain types of jobs may require an architect to file drawings with the local government before work can even begin.

Finally, an Owners' Association may want to hire an architect or engineer to supervise the work as it is being done, to make periodic inspections to ensure that the contractor is performing adequately, and to let the Executive Committee or property manager know when a scheduled payment should be made.

HIRING A CONTRACTOR

Many people worry when they are confronted with having to hire a contractor. They believe that an unscrupulous contractor may take their money and run--leaving a half-finished job or worse. Part of this concern comes from being poorly prepared.

Good contractors exist. The trick is finding one, negotiating a reasonable price for the job that is needed, defining precisely what that job entails, and then making certain that the end result matches the original expectation.

For any job too complex or costly to be done by the owners themselves or by a handyman, the Owners' Association will probably want to contract with a building trades professional, a contractor specializing in whatever work needs to be done: electrical work, plumbing, heating system, masonry construction and repair, roofing, ironwork, or carpentry. The property manager or Executive Committee should try to hire a contractor whose principal business is in the field in which the help is needed. If there is no property manager, the Executive Committee should begin looking for a contractor by designating a knowledgeable person to call around to other buildings where similar work has been done, and ask for recommendations. If a contractor is hired without getting a recommendation, the Executive Committee or the property manager should ask the contractor for references and check the references carefully.

WRITING A SCOPE OF WORK

The first step in dealing with contractors is knowing exactly what work must be done. When this description is put into writing, it serves as what is known as a "scope of work" or "specifications": a formal job description on which a contractor can make a bid. The scope of work or specifications then become part of the contract documents, legally tying the contractor to a certain performance standard and to completing the work described.

A scope of work includes a general description of the job, materials to be used, guarantees, permits, and so forth. Specifications may go beyond this, spelling out in great detail the exact materials and method required, leaving nothing to the imagination or discretion of the contractor. While not always necessary, specifications are recommended for complex jobs where very precise instructions are required.

Specifications generally require the services of a professional architect, engineer, or construction manager. A property manager may be able to write a own scope of work for basic jobs.

OBTAINING WRITTEN BIDS

When the written scope of work has been completed, the Owners' Association is ready to take bids on the job. There should be a minimum of three different contractors bidding on the job, if possible. Most contractors will tend to take a job more seriously if they see that the owners know what they are doing. Contractors will often give a better (lower) bid if they know the owners are obtaining bids from more than one contractor. The owners should ask for a written estimate, desired payment terms, and references.

Payment terms will vary from contractor to contractor, but it is normal to pay 20 - 30% up front, for purchase of initial materials. Under no circumstances should the owners pay 100% up front. They should pay the balance of the account at specified points during the job, and should withhold 10% as a retainer until after the job is finished and the owners are convinced that it has been properly done. A new roof may look just dandy until it rains. Having retained a small balance will give the owners some leverage to get the contractor back for further work, if it is needed. It is common to hold a retainer for one or two weeks. Longer would be unfair to the contractor (unless defects are discovered in the work). But even that is not always enough. Unfortunately, a lot of contractors would rather risk their reputations than re-do a job.

CHECKING REFERENCES

The property manager should call a contractor's past clients. If at all possible, the property manager should visit the sites of former jobs, to see firsthand what has been done and how. He should inquire if the overall quality of work and materials met the client's

standards. Was the work completed according to the specified schedule? What sort of work habits did the contractor or crew display--did they come to the job for a few hours one day, then promise to show up the next day, and not show for the rest of the week? Did they leave a mess behind them, or a clean job site?

What the owners should be looking for in a contractor's references is some assurance that the person they hire will be conscientious in all aspects of his or her work. They should look carefully. It can make the difference between a good experience and a miserable one.

COMPARING BIDS

After at least three bids have been received, the property manager will want to compare them and choose one to recommend to the owners or the Executive Committee. The owners should not simply pick the lowest bid--though it may look cheaper on paper, it is by no means always the best choice. Are the materials and work specified of the same quality as the other bids? What about the time and schedule for the job? How do the references stand up?

If the low bid can withstand such careful scrutiny, then it is alright to go with it. But if the contractor who has the best references and has done the best job of preparing his or her bid--specifying exact materials to be used, for instance, rather than simply general types-- is only a little more expensive than the others, then it may be well worthwhile to hire that firm.

ENTERING INTO A CONTRACT

There are four basic elements to any contract:

- the action--what is to be done (the scope of work or specifications)
- the payment
- the time of completion, and
- the signatures.

In addition to the amount of payment, a schedule of payment, tied to the work completed, should be spelled out. Include a 10% retainer, to be held for a specified period after the job is completed, to give the owners or their representative a chance to inspect the work thoroughly before making the final payment. Some contracts include a penalty if the date of completion is not met.

The owners may also want to include some general conditions such as when the work can be performed, access to apartments, when systems like electricity or water may be shut off, and when they must be started again. Finally, the contract should be signed by both the contractor and a representative of the condominium. A copy should be retained by both parties.

For a simple job, the contractor's proposal can serve as the contract, instead of preparing a separate contract. If the owners are satisfied with the proposal as written, then they can simply sign it, retain a copy and return the original to the contractor. If there are problems with the proposal, the owners can ask the contractor to submit a new one with specific agreed-upon changes.

Usually, the owners will want to draw up a contract to ensure that it includes everything they want. This contract may be their only legal protection in the event that problems arise.

SUPERVISING THE WORK

It is important that a representative of the Owners' Association be delegated to supervise the contractor's work. Supervision, for the most part, is simply keeping track of the progress of the job. This way, the owners can meet problems as they occur, rather than wait until the end of a job when work must be redone or the contractor has already been paid. Money is the greatest leverage in getting a contractor to perform.

When the job is completed, the same representative who has been supervising the job should examine the work to make sure it meets the standards specified in the contract. If the owners have any doubts, they may want to ask another professional to come in and do an inspection before they pay the final 10% retainer on the contractor's fee.

H. HIRING A CARETAKER

The Owners' Association or the Executive Committee may decide to hire a caretaker to clean up the property and provide minor maintenance services on a regular basis. This might be a part time or a full time position, depending on the needs and the financial resources of the Owner's Association. Perhaps one person could fulfill these responsibilities for a number of buildings.

The Owners' Association should have a contract with the caretaker that spells out such things as the caretaker's duties and compensation.

A sample Caretaker's Agreement is provided at the end of this chapter.

MODEL MANAGEMENT CONTRACT

THIS CONTRACT IS MADE _____ [date] between _____
[management firm or manager], with its principal place of business at _____
[address], hereinafter "Manager," and the Owners'
Association of the condominium located at _____
[address], hereinafter "Owners' Association."

SECTION ONE - APPOINTMENT OF MANAGER

(a) Owners' Association appoints Manager and Manager accepts appointment, on the terms and conditions provided herein, as property manager of the condominium located at _____, consisting of ____ residential and ____ commercial units.

(b) Manager understands that Owners' Association is responsible for the operation and management of the condominium, and agrees to confer regularly with the Executive Committee of the Owners' Association or its designated liaison in the performance of management duties. Manager will attend all General Assembly or Executive Committee meetings as requested.

SECTION TWO - INFORMATION ABOUT PROPERTY

Manager will become familiar with the layout, construction, location, and operation of the lighting, heating, plumbing, and ventilating systems, as well as elevators, if any, and other mechanical equipment in the condominium. Copies of any warranties or service contracts shall be furnished to Manager. Owners' Association shall furnish Manager with a complete set of the plans and specifications of the condominium property, if available.

SECTION THREE - DUTIES OF MANAGER

[These provisions may be modified to fit the needs of the Owners' Association.]

(a) Manager's authority and duties are confined to the condominium's common areas and facilities as defined in the plan of apartment ownership, and do not include management of individual units except as directed by Owners' Association.

(b) Manager shall do the following:

(1) Ascertain the general condition of the property, noting any problems or conditions that require further attention, and take an inventory of all furniture, office equipment, maintenance tools, and supplies, including fuel on hand.

(2) Cause the building and grounds of the condominium to be maintained according to standards acceptable to Owners' Association, including but not limited to interior and exterior cleaning, painting, plumbing, carpentry, and such other normal maintenance and repair work as may be necessary. For any one item of repair, replacement, or purchase, the expense incurred shall not exceed the sum of _____ unless specifically authorized by Owners' Association; except that emergency repairs necessary for the preservation and safety of life and property or required to avoid the suspension of any necessary service to the condominium may be made at the discretion of Manager.

(3) Subject to approval by Owners' Association, make contracts for water, electricity, gas, fuel oil, telephone, vermin extermination, and other necessary services, and place orders for equipment, tools, and supplies necessary to maintain the condominium. All such contracts and orders shall be made in the name of Owners' Association and shall be subject to the limitations set forth in paragraph (b)(2).

(4) On the basis of job specifications and wage rates previously approved by the Executive Committee, hire, pay, supervise, and discharge the personnel needed to maintain and operate the condominium. Such personnel shall be employed by the Owners' Association and not the Manager, and their compensation shall be an operating expense of the condominium.

(5) Maintain service requests in a work order system which shows action taken; investigate maintenance or service problems and report those of a serious nature to Executive Committee.

(6) Maintain records and accounts of Owners' Association.

(7) At least 60 days before the beginning of each fiscal year, submit to the Executive Committee an operating budget of the anticipated receipts and disbursements for the new fiscal year. No expenses in connection with the maintenance and operation of the condominium in excess of the amounts allocated in the approved budget may be incurred by Manager without the prior consent of Owners' Association, except in an emergency, in which case such expenditure shall be brought promptly to the attention of Owners' Association.

(8) Arrange for deposit of assessments collected from owners and rents collected from tenants of commercial units, and report to Executive Committee each month on the status of collections.

(9) Pay out of funds deposited in Owners' Association operating account for the following:

- (i) sums payable by Owners' Association as operating expenses, including Manager's compensation;
- (ii) compensation due to employees of Owners' Association;
- (iii) taxes;
- (iv) property insurance premiums; and
- (v) other sums as directed by the Executive Committee.

(10) Manager shall provide to Executive Committee a monthly statement of receipts and disbursements.

(11) Promptly investigate and notify Executive Committee in writing about all accidents or claims for damage, and the estimated cost of repair. When authorized by Executive Committee, obtain and keep in force insurance needed to protect Owners' Association and condominium property.

(12) Comply promptly with orders or requirements regarding the premises from any government authority and notify Owners' Association in writing of all orders and requirements.

(13) Working with an accountant, prepare for filing by Owners' Association all forms and reports required by law in connection with unemployment insurance, workers' compensation insurance, disability benefits, Social Security benefits, and other similar taxes for Owners' Association employees.

(14) Handle renting of any nonresidential units, arranging for execution of leases or permits as required.

(15) Operate and maintain the condominium according to the highest standard achievable consistent with the overall plan of Owners' Association.

SECTION FOUR - MANAGER'S EXPENSES

Expenses incurred by Manager in performance of duties for Owners' Association shall be paid by Owners' Association, except for the overhead expenses of Manager's office.

SECTION FIVE - OWNERS' ASSOCIATION FUNDS

Manager shall maintain in a bank acceptable to Owners' Association a separate bank account for deposit of Owners' Association's moneys, with authority to draw on them as agent of Owners' Association for any payments to be made or expenses incurred by Manager under this Contract.

SECTION SIX - COMPENSATION OF MANAGER

Manager's compensation for services performed under this agreement shall be _____ per month [or _____ per unit per month].

SECTION SEVEN - TERM OF CONTRACT; TERMINATION

(a) Unless terminated under paragraph (b) or (c) of this section, this Contract shall be in effect from _____ until _____.

(b) This Contract may be terminated by mutual consent of the parties at the end of any calendar month.

(c) If, in the opinion of either party, the other party is in breach of this Contract, the aggrieved party shall notify the other party in writing, setting forth the details of the breach. If within 30 days the offending party does not cure the breach or proceed diligently to cure the breach, the aggrieved party may terminate this Contract.

(d) On termination, the parties shall account to each other with respect to all matters outstanding as of the date of termination.

OWNERS' ASSOCIATION:

By: _____
Title:

MANAGER:

By: _____
Title [if firm]:

MODEL MASTER AGREEMENT [FOR ROOF COMMITTEE]

SECTION I - Parties

Para. 1. THIS AGREEMENT is made on _____ *[date]* between the Owners' Associations of the condominiums located at _____, _____, and _____, in the City of _____ (hereinafter collectively referred to as "Associations").

Para. 2. Each of the Associations is a legal person authorized to enter into this Agreement, and each has duly authorized the officer whose name appears below to enter into this Agreement on behalf of that association.

SECTION II - Purpose

Para. 3. The purpose of this Agreement is to set out the terms under which the Associations will regulate the use, repair, replacement and other activities relating to the roof that covers and is shared by the condominium properties represented by the Associations.

Para. 4. This Agreement is intended to facilitate coordination of activities relating to the roof, and to provide for the structural integrity and fitness for use of each of the condominium properties.

SECTION III - Roof Committee

Para. 5. The Associations hereby agree to the establishment of the Roof Committee, which shall be responsible for carrying out the purposes of this Agreement.

Para. 6. Each of the Associations shall elect *[one or more, depending on size of the associations and complexity of the responsibilities]* representative(s) to serve on the Roof Committee for a term of *[one to three]* year(s).

Para. 7. The members of the Roof Committee shall be authorized by their respective associations to represent the association and to act on behalf of the association in carrying out activities relating to the roof.

SECTION IV - Operations of the Roof Committee

Para. 8. The Roof Committee shall hold a regular meeting once a year. It may meet between regular meetings at the request of one or more of the associations, if such association(s) determines that a meeting of the Roof Committee is advisable.

Para. 9. The *[property manager or Executive Committee]* of each association shall provide that association's representative(s) on the Roof Committee with copies of any invoices, work orders, complaints, requests for service or other documents relating to the roof. At least once each year, the Roof Committee shall meet to review all activities of each of the Associations relating to complaints of leaks in the roof, repairs to the roof or other matters concerning the roof.

Para. 10. If at any regular or special meeting, the Roof Committee determines by majority vote that an inspection of the roof by a professional engineer or other expert is advisable, the Roof Committee is authorized to contract for such inspection on behalf of the Associations. The cost of such inspection shall be shared equally among the Associations.

Para. 11. The members of the Roof Committee shall review the results of any such inspection, and shall present the results of any such inspection to the association they represent. If the Roof Committee determines by majority vote that further action is advisable, they shall recommend such action to the Associations at the time the results are presented.

Para. 12. If a majority of the Associations vote to take the action recommended by the Roof Committee, such action shall be carried out under the supervision of the Roof Committee.

SECTION V - Expenses Relating to the Roof

Para. 13. Expenses incurred to carry out activities relating to the roof, as recommended by the Roof Committee and approved by a majority of the Associations, shall be shared equally among the Associations. *[This formula could vary, depending on the area of the roof covering each of the properties. If the properties are of substantially different sizes, an unequal allocation of expenses may be more fair.]*

Para. 14. If the Roof Committee determines that expenses incurred in relation to the roof were necessitated by the misuse of the roof or other action by members or representatives of one or more but not all of the Associations, such expenses shall be assessed against only the association(s) responsible.

SECTION VI - Changes in Use of the Roof

Para. 15. If one or more but not all of the Associations proposes a change in the use or structure of all or part of the roof, such as construction on the roof, such change may not

be undertaken without first obtaining (1) the approval of a majority of the Roof Committee and (2) the approval of each of the Associations.

Para. 16. For any change in the purpose or structure of the roof that benefits less than all of the Associations, the expenses of such work shall be paid by the Associations that receive the benefit. The proposed allocation of expenses shall be stated in the proposal put to the vote of the Roof Committee and the Associations.

_____, on behalf of _____
[Name of Officer] [Association]

_____, on behalf of _____
[Name of Officer] [Association]

_____, on behalf of _____
[Name of Officer] [Association]

MODEL OWNER-CONTRACTOR CONTRACT

THIS CONTRACT IS MADE _____ [date] between _____
_____ [Contractor], with its principal place of business at
_____ [address], hereinafter "Contractor," and the Owners'
Association of the Condominium located at _____ [address],
hereinafter "Owners' Association."

SECTION I - APPOINTMENT OF CONTRACTOR

(a) Owners' Association and Contractor agree that Contractor will perform work as described in Section Two, on terms and conditions described in this Contract.

(b) Contractor understands that Owners' Association is responsible for the operation and management of the common property of the condominium, and agrees to confer regularly with the property manager, Executive Committee, or other designated liaison of the Owners' Association in the performance of the work.

SECTION II - DESCRIPTION OF WORK

Contractor will perform the following work under this Contract:

[Describe work to be performed under the Contract in sufficient detail to assure that the contractor understands exactly what is to be done. If specifications or drawing are available, they should be attached to the contract.]

SECTION III - CONTRACT AMOUNT AND PAYMENT SCHEDULE

Owners' Association shall pay Contractor the sum of _____
for the performance of the work. Payments will be made according to the following
schedule, subject to acceptance of the work by the Owners' Association:

% of Work Done	Completion Date	Amount Due
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

SECTION IV - TIME FOR PERFORMANCE

(a) Work under this Contract shall begin on _____ and shall be complete by _____.

[Add interim stages if appropriate.]

(b) If completion is delayed for reasons beyond Contractor's control, Contractor shall provide written notice to Owners' Association explaining the reasons for the delay. If Contractor fails to give notice of reasons for the delay or the delay is not with good cause, Contractor will be in default of this Contract.

SECTION V - CHANGES IN THE WORK

Owners' Association and Contractor agree that no changes in the description of the work or the contract sum may be made unless agreed to in writing by both parties.

SECTION VI - CARE OF WORKSITE

Contractor agrees to remove all construction debris and surplus material from the property upon completion of the work, and to leave the property in a neat and clean condition.

SECTION VII - WARRANTY

Contractor agrees to provide a one-year warranty for the work. The warranty provides that the work is of good quality and free from defects in materials and workmanship. To make a claim under the warranty, Owners' Association must notify Contractor of such defect within one year after final payment is made.

OWNERS' ASSOCIATION:

By: _____
Title

CONTRACTOR:

By: _____
Title [if firm]:

CARETAKER'S AGREEMENT

THIS AGREEMENT is entered into between the Owners' Association of the Condominium located at _____ [address of Condominium] as Employer and _____ as Employee, on _____ [date].

1. Term of Employment. Employer hires Employee beginning on _____ [date] as a full-time [or part-time] caretaker to perform the duties listed in the Appendix to this Agreement. This Agreement shall be in effect until _____ [date] [or for an indefinite period of time]. Employer may terminate this agreement at any time if Employee fails to perform the duties required in a manner that is satisfactory to Employer.

2. Compensation. Employer shall compensate Employee at the rate of _____ per month for so long as this Agreement shall remain in effect and Employee shall continue to perform the duties required in a manner that is satisfactory to Employer.

3. Hours of Work. Employee shall work during the hours of _____ to _____ on each of _____ days per week, for a total of _____ hours per week, in performing the duties required.

4. Supervision. Employee shall work under the supervision of _____ [designate the property manager or the presiding officer of the Owners' Association]. Employee shall not be supervised by or perform work at the request of any individual resident of the condominium without such work being authorized by the person designated above.

5. General Duties:

- a. Report problems or damage in the common property to _____ [designate the property manager or the presiding officer of the Owners' Association] as soon as possible.
- b. Maintain an inventory of the furnishings in the common property and keep them clean and in good condition.
- c. Oversee the proper use of attic, basement, and other premises (laundry room, storage room, etc.) in the condominium.
- d. Answer the front door during hours when it is locked.
- e. Make sure that stairway and other common areas are properly lighted and replace light bulbs as needed.

6. Cleaning Tasks:

<u>TASK</u>	<u>FREQUENCY</u>
sweep hallways and stairways	every day
sweep sidewalk	every day
remove debris and litter	as needed
wash entrance hall	twice a week
wash hallways and stairways	once a week
clean the attic and cellars	twice a year
clean the garbage storeroom	once a week

7. Other Duties:

[List as appropriate.]

OWNERS' ASSOCIATION:

By: _____
Title:

EMPLOYEE:

WORK ORDER FORM

No. _____

Date: _____

Condominium: _____

Requested By: _____ (owner) _____ (unit number)

Work Required: _____

Worker: _____ Hours Worked: _____

Materials Used:

Itemized Charges:

Charges to Condominium:

Charges to Owner;

Owner's Signature/Approval of Work _____ Date: _____

UNIT INSPECTION RECORD FORM

Condominium: _____

Unit Owner: _____ Unit No: _____

Inspected By: _____ Date: _____

ITEM	CONDITION / WORK REQUIRED	WORK ORDER #
doors		
windows		
screens		
blinds		
ceilings		
floors		
walls		
hallways		
kitchen		
bathroom		
electrical		
fire/safety		

BUILDING INSPECTION RECORD FORM

Condominium: _____

Address: _____

Inspected By: _____ Date: _____

ITEM	CONDITION / WORK REQUIRED	WORK ORDER #
roof		
downspouts		
flashing		
attic		
exterior doors		
exterior walls		
foundation		
exterior paint		
window frames		
balconies		
crawl space		
basement		
termites		
stairways		
hallways		
meters		
utility distrib. & joints		
telephones		
cable TV		
elevators		

GROUNDS INSPECTION RECORD FORM

Condominium: _____

Address: _____

Inspected By: _____ Date: _____

ITEM	CONDITION / WORK REQUIRED	WORK ORDER #
roads		
sidewalks		
drainage		
lawns		
landscaping		
play areas		
sports areas		
fences		
street lights		
water lines		
sewer lines		
power lines		
heat lines		

EQUIPMENT INSPECTION RECORD FORM

Condominium: _____

Address: _____

Inspected By: _____ Date: _____

ITEM	CONDITION / WORK REQUIRED	WORK ORDER #

BUILDING CONDITION SURVEY FORMS

Condominium: _____

Address: _____

BASEMENT	CONDITION	REMARKS
corridors		
exits		
lighting		
trash room		
meters		
storerooms		
windows		
floor		
walls		
ceiling		
plumbing		
electrical wiring		

Inspected By: _____

Date: _____

BUILDING CONDITION SURVEY FORMS, Continued

BUILDING EXTERIOR	CONDITION	REMARKS
roof		
skylights		
downspouts		
parapet walls		
vents/chimneys		
masonry facade		
windows		
doors		
fire escapes		
courtyards		
sidewalks		
gates/fences		
lighting		
area drains		
retaining walls		
airshafts		

Inspected By: _____

Date: _____

BUILDING CONDITION SURVEY FORMS, Continued

HEATING SYSTEM	CONDITION	REMARKS
controls		
burner/boiler		
water heater		
pipng		
water supply		
ventilation		
fire rating		
insulation		

Inspected By: _____ Date: _____

ELEVATOR	CONDITION	REMARKS
doors		
leveling		
cab push buttons		
call buttons		
lighting		
floor		
walls/ceiling		
inspection certificate		

Inspected By: _____ Date: _____

BUILDING CONDITION SURVEY FORMS, Continued

LOBBIES/HALLS	CONDITION	REMARKS
ceilings		
walls		
floors		
doors		
lighting		
ventilation		
mailboxes		
door release buzzer		
intercom		

Inspected By: _____ Date: _____

INDIVIDUAL APTS.	CONDITION	REMARKS
doors		
windows		
floors		
walls		
ceiling		
kitchen		
bathroom		
heating		
lighting		
electrical		

Inspected By: _____ Date: _____

CHAPTER V

FINANCIAL PLANNING

This chapter provides guidance on developing an Owners' Association annual budget and a fund for financing major repairs or renovations.

A. PREPARING AN OWNERS' ASSOCIATION BUDGET

An Owners' Association budget is a plan prepared before each fiscal year begins that anticipates the cost of operating the condominium property during the coming year. The first step in drawing up a budget is to determine the expenditures that must be made during the coming year. Then optional expenditures can be considered, if it appears that the income that can reasonably be anticipated will exceed the amount that must be spent.

Among all the expenses that an Owners' Association will have, some can be predicted accurately in advance, while others can only be estimated. Taken together, the budgeted expenses determine how much income the condominium will need to finance its operations during the coming year. This is how the condominium determines the amount of assessments it will need to collect from the owners for that year.

If it is necessary to raise the level of condominium assessments, a well-prepared budget will help explain the need for the increase to the owners. Except in the event of a major catastrophe, assessments should not have to be increased during the year if a detailed and reasonably accurate budget has been prepared. The Owners' Association budget will help each owner budget for his or her individual expenses and will give all owners greater confidence in the Executive Committee and the management of the Owners' Association.

THE FISCAL YEAR

The budget should be prepared before each fiscal year begins. A fiscal year is the period of time upon which the condominium's annual financial statement will be based, which coincides with the calendar year.

It is good policy to prepare the budget two months before the end of the current fiscal year, that is, by the beginning of November. At that time, it will be possible to compare the actual expenses of the first ten months of the current year (January through October) with the budget developed for that year.

PROJECTING EXPENSES

A wide range of information from many different sources should be used in preparing a budget.

The actual expenditures of the condominium in the current year and previous years will provide the most important measure of how much it costs to operate the condominium. But it is important to remember that some expenses will vary from year to year. It is always safer to budget for some unanticipated problems in the repair and maintenance area.

The rate of inflation can indicate the level of increases to expect for expenses like cleaning supplies and repair work. The local government may indicate increases in water and sewer charges in advance, so that this information can be used in preparing the budget. The experiences of other condominiums and the findings and recommendations of condominium organizations can be used to back up the budget estimates.

Some expenses can be predicted with great accuracy. These include:

- Payroll expenses and fringe benefits for employees.
- Management fees, which can be negotiated in advance.
- Maintenance contracts, such as for elevators.
- Contributions to a renovation fund, which should be planned for each year.
- Real estate taxes and water and sewer charges.
- Insurance policy premiums, which are contracted for in advance.
- Debt service on any loans owed by the Owners' Association.

Certain other expenses will vary based on events that cannot be predicted with certainty. Therefore, it is necessary to estimate these kinds of expenses, such as:

- Legal fees and any other costs related to a lawsuit.
- Repair and maintenance expenses. Here it is best to anticipate problems. If any money is left over, it can be used for improvements or to supplement a renovation fund.
- Maintenance services by independent contractors. This will depend in part on how much work around the building owners are willing or able to do to keep costs lower.
- Building supplies, which will vary with weather, vandalism, and waste.
- Fuel oil or gas. It is wise to assume an increase in price and a cold winter.
- Capital improvements. These will depend on the condition of the building and the amount of money that can be raised from owners through either regular or special assessments.

- Bank charges. These vary, but this will not be a major expense item.
- Administrative costs. These will also depend in part on how much work owners are willing to do to save on the cost of outside services.

PROJECTING INCOME

It is likely that the condominium will have several sources of income that should be projected on the Budget Work Sheet:

- Interest income, earned on invested reserves, can be projected with reasonable accuracy depending upon how they are invested and upon changes in interest rates.
- Rental or sales proceeds for commercial or residential units owned by the Owners' Association.
- Special assessments charged to each owner to pay for specific capital improvements instead of using regular assessment income or renovation fund.
- Any other income.

Some types of income cannot be accurately planned for, such as late fees. These must be estimated.

DETERMINING ASSESSMENTS FOR THE COMING YEAR

The total of all anticipated income, other than regular assessments, should be subtracted for the total budgeted expenses. The difference is the amount that must be paid for by the condominium assessments. To determine the amount each owner must pay, multiply the total amount to be collected by the percentage ownership interest in the condominium of each owner. Divide each owner's total annual assessment by 12 to find his or her monthly assessment.

The Executive Committee or Account Auditing Committee can use the information from the Budget Work Sheet to explain an increase in assessments to the owners.

REVIEWING THE BUDGET IF ASSESSMENTS SEEM TOO HIGH

It is possible that the budget preparation process may result in assessments that seem too high and would represent a hardship on the owners. In that case, the budgeted expenses and incomes should be reviewed. Perhaps additional money can be raised from another source. More likely, a planned expense will have to be reduced or eliminated from the coming year's budget in order to cut costs. Useful but not vital improvements like a

new intercom system may have to be postponed. A roof may have to be patched instead of replaced.

Remember, however, that some improvements such as energy conservation will actually save the Owners' Association money, so it might be wise to go ahead with that expense now to improve the building and save on operating costs, if at all possible. Doing a major plumbing repair now, such as replacing a riser, may save the Owners' Association a series of smaller and ultimately more costly repairs to that plumbing line.

One way to keep costs down is to keep complete and accurate financial records. These records will provide ongoing information during the year that can be used to compare the budget with the actual expenses and incomes.

BUDGET WORKSHEET

EXPENSES				Annual	Monthly
Administrative Expenses				_____	_____
Salaries				_____	_____
Office Supplies				_____	_____
Management Fee				_____	_____
Legal				_____	_____
Audit				_____	_____
Telephone				_____	_____
Miscellaneous				_____	_____
Operating Expenses					
Elevator				_____	_____
Heat				_____	_____
Electricity				_____	_____
Water/Sewer				_____	_____
Gas				_____	_____
Exterminating				_____	_____
Trash Removal				_____	_____
Miscellaneous				_____	_____
Repair and Maintenance	Payroll	Materials	Contract		
Grounds	_____	_____	_____	_____	_____
Custodial	_____	_____	_____	_____	_____
General Mntnc.	_____	_____	_____	_____	_____
Heating	_____	_____	_____	_____	_____
Painting, Interior	_____	_____	_____	_____	_____
Painting, Exterior	_____	_____	_____	_____	_____
Miscellaneous	_____	_____	_____	_____	_____
Fixed Expenses					
Real Estate Tax				_____	_____
Other Tax				_____	_____
Insurance				_____	_____
Reserves					
Capital Replacements				_____	_____
Operating Contingencies				_____	_____
TOTAL EXPENSES				_____	_____

INCOME	Annual	Monthly
Regular Assessments	_____	_____
Rental Fees	_____	_____
Interest	_____	_____
Late Fees	_____	_____
Special Assessments	_____	_____
Miscellaneous	_____	_____
TOTAL INCOME	_____	_____

B. THE RENOVATION FUND

In addition to covering regular, continuous costs of operating the condominium, the owners should anticipate the costs of larger repairs or renovations to the property. Careful planning can help the owners meet these one-time or non-routine expenses without undue hardship.

The first step in planning for these expenses is to determine as accurately as possible what components of the property may need major repairs or replacement, when the need will occur, and what other work might be needed or desirable to improve the property. It can be very difficult to calculate the estimated useful life of all of the systems and equipment of a building, as well as the eventual replacement cost. This is because the number of useful years of a system or piece of equipment is dependent upon a variety of factors: whether or not it was installed correctly, its quality, how it has been maintained, level of normal wear-and-tear, level of vandalism, weather conditions, etc.

Once a property manager has some historical information about a property - its systems and their level of maintenance, it is easier to predict what capital repairs and renovations will be needed during a specified period, such as three to five years. If the rate of inflation is relatively stable, it is possible to estimate costs of capital repairs and replacements over a three to five year period as well, which facilitates the creation of a long-term budget.

The information obtained in the Building Condition Survey (Chapter IV, Section C) also will be helpful in making these decisions.

By careful advance planning, a renovation fund can be accumulated over time so that the owners will not have to pay large, unanticipated amounts or special assessments. The fund should generate interest income, and can also be used to obtain credit if a loan becomes necessary.

A sample three-year budget for capital repairs and renovations is as follows:

BUDGETING FOR CAPITAL REPAIRS AND RENOVATIONS

Mountainview Condominium is approximately 20 years old. During its first fifteen years of operation, it had adequate operating capital and maintenance was performed as the need arose. During the last five years, however, income did not increase at the same pace as did operating expenses. Also, certain building systems began to deteriorate. The result of these factors is that there are now serious deferred maintenance items which need to be addressed.

The Owners' Association of Mountainview Condominium Terrace realized that the first step that needed to be taken to solve this problem was to increase condominium assessments. In conjunction with the increase, however, the Owners' Association requested the property manager to compile a physical needs assessment and a three-year plan in which these needs would be addressed.

The property manager hired a construction expert to help determine the property's physical needs, to prioritize these needs, and to provide cost estimates for the work. It was determined that during the next three years, various items would need to be addressed in order for the building to be in good condition. If all of these items were addressed, then very little would have to be spent on maintenance during the following five years, and the implementation of proper preventive maintenance techniques could extend this estimate to seven to ten years.

The deferred maintenance items which the construction expert discovered, and the cost estimates for performance of the work, were as follows (these estimates include an inflation factor):

Exterior painting	74,300
Roof replacement	65,680
Replacement of gutters and downspouts	15,200
Concrete repairs	2,000
Sprinkler system, partial replacement	8,000
Replacement, domestic galvanized hot water system	119,747
Replacement of boilers	42,500
Replacement of exhaust fans	300
Replacement of entry doors and locks	44,500
Replacement of windows at building entry	9,000
Replacement of common area windows, each floor	72,000
TOTAL ANTICIPATED NEEDS:	452,727

Upon receipt of this list from the construction expert, the property manager realized that it would be impossible for Mountainview Condominium to afford to pay for these repairs at one time. The property manager decided that it was feasible for the required repairs to be made over a three year period, from 1992 through 1994, if the monthly deposits to the Renovation Fund account were increased.

The property manager first prepared a three year repair schedule. In the schedule, items of the highest priority were addressed first. The schedule is as follows:

Description of Item	Total	1992	1993	1994
Exterior painting	74,300	0	60,000	14,300
Roof replacement	655,600	20,830	22,395	22,455
Gutters and downspouts	15,200	5,000	5,200	5,000
Concrete repairs	2,000	2,000	0	0
Sprinkler system	8,000	0	0	8,000
Domestic galvanized hot water system	119,747	119,747	0	0
Replacement of boilers	42,000	14,000	14,000	14,000
Replacement of exhaust fans	300	100	100	100
Replacement, entry doors and locks	44,500	22,250	12,500	12,000
Replacement of windows at building entry	9,000	4,500	4,500	0
Replacement of common area windows, each floor	72,000	24,000	24,000	24,000
Totals:	452,727	212,427	140,445	98,550

The Property Manager then prepared an analysis of the Renovation Fund account to determine what the shortfall would be each year at the current rate of deposit - 5,778 per month:

Account balance as of 9/30/91	149,606
Plus deposits, 10/91 - 12/91	17,334
Less withdrawals, 10/91 - 12/91	0
Account balance as of 12/31/91	166,940
Plus deposits, 1/92 - 12/92	69,336
Less 1992 estimated expenditures	212,427
Account balance as of 12/31/92	23,849
Plus deposits, 1/93 - 12/93	69,336

Less 1993 estimated expenditures	140,445
Account balance as of 12/31/93	<47,260>
Plus deposits, 1/94 - 12/94	69,336
Less 1994 estimated expenditures	<u>99,855</u>
Account balance as of 12/31/94	<77,779>

These figures demonstrate that the monthly deposits to the Renovation Fund account would have to be increased to avoid shortfalls during 1993 and 1994. Monthly deposits were increased to 9,250 as of January 1992, and condominium fees were increased to cover this amount as well as increases in the other expense categories. The account fluctuation analysis at the new rate of deposit is as follows:

Account balance as of 9/30/91	149,606
Plus deposits, 10/91 - 12/91	17,334
Less withdrawals	0
Account balance as of 12/31/91	166,940
Plus deposits, 1/92 - 12/92	111,000
Less 1992 estimated expenditures	< <u>212,427</u> >
Account balance as of 12/31/92	65,513
Plus deposits, 1/93 - 12/93	111,000
Less 1993 estimated expenditures	< <u>140,445</u> >
Account balance as of 12/31/93	36,068
Plus deposits, 1/94 - 12/94	111,000
Less 1994 estimated expenditures	< <u>99,855</u> >
Account balance as of 12/31/94	472,130

With the increase in monthly deposits to the Renovation Fund account, the priority work items will be addressed, while the account will still have a positive balance at the end of the three year period.

CHAPTER VI

FINANCIAL RECORDKEEPING

This chapter provides information on financial recordkeeping, including basic accounting procedures and the preparation of an annual financial statement.

A. ACCOUNTING FOR INCOME AND EXPENSES

To ensure that the condominium is managed as efficiently and economically as possible, it is necessary to keep accurate and complete financial records.

ACCOUNTING FOR INCOME

In most condominiums, the primary source of income will be the condominium assessments payable by all unit owners in accordance with their proportionate ownership interest in the property. Other sources of cash income might be rental income from common property commercial or residential units, interest earned on Owners' Association accounts, reimbursements for damage caused to the common property by a resident, and late fees collected from owners who are delinquent in payment of condominium assessments. Each type of income should be assigned an account number.

Income should be posted on a daily basis in an income journal or record book, for which a new page or group of pages should be begun each month.

The following information should be recorded for each assessment payment:

- Unit number
- Owner's name
- Owner's address (if different from unit)
- Current assessment charge
- Current other charges
- Past due assessments
- Past due other charges
- Balance due (from end of last month)
- Payments received
- Balance due (current)

Income other than that generated by monthly assessments should be posted in separate columns, with separate account numbers for each category. At the end of the month, the income for the month should be totalled.

ACCOUNTING FOR EXPENSES

All expenses incurred on behalf of the condominium should be accounted for, no matter how small. A written receipt for all expenditures should be obtained and kept in the Owners' Association's records.

Expenses should be recorded on a daily basis in an expense journal or record book, similar to that kept for income. Each type of expense should have a separate account number. The information recorded should include:

- Vendor's name
- Entry date (date of receipt of bill)
- Date of bill
- Period covered (if applicable)
- Payment due date
- Brief description of service or item
- Amount of bill

There should be a section called "pay or hold" on the expense journal. If the bill is to be paid immediately upon receipt, the "pay" designation should be marked. If the bill is not to be paid immediately for any reason, such as lack of available funds, then "hold" should be designated. If the bill is to be paid immediately, then a bank draft should be issued.

As long as the expense shows up on the daily expense journal, it should be posted to the appropriate general ledger account, regardless of whether it is paid immediately or not. This is called **accrual based accounting**. Accrual based accounting recognizes revenue and expenses as they are incurred, not as they are received or paid.

During each month, two separate lists, or schedules, should be kept in connection with expenses: the month-to-date check (payment) register and the schedule of accounts payable. Any time a bill is paid, it should be entered on the check register. The information included should be the date of payment, the vendor's name, date of the bill (or date expense was incurred), a brief description, and the amount paid. If the bill is paid by bank draft, the number of the draft should be included. If the bill is paid by cash, then this should be duly noted.

Any bill that is incurred, received, and not paid should be included in the schedule of accounts payable. This should be a listing of all unpaid bills in chronological order from the date the bill was received. On a weekly basis, this list should be reviewed. As funds are received, bills which appear on the schedule of accounts payable should be paid in order of due date or priority.

B. THE GENERAL LEDGER

The general ledger is the master document in which all financial transactions of the Owners' Association -- receipts and expenditures -- are recorded. There should be a separate general ledger sheet for each type of income and each type of expense that the Owners' Association has. The general ledger allows the Owners' Association to compare its actual income receipts and expense disbursements with its budget on a monthly basis.

For example, every condominium will have general ledger sheets for assessment income. If the building is heated with oil, then there will be a general ledger sheet for fuel oil. There should be a general ledger sheet for each kind of insurance policy carried, for each kind of professional fee paid, and so on.

A new set of general ledger sheets is started every fiscal year. At that time, the initial budget information for the year is entered on the appropriate sheets for each income and expense category. As each month passes and monthly sums are calculated, income and expense subtotals are recorded on the general ledger sheets and new balances of remaining budgeted amounts for each income and expense category are found.

Keeping the general ledger up-to-date lets the Owners' Association know on a monthly basis whether it is within its budget or over it. If the Owners' Association finds that it over budget during the fiscal year, it is more likely that will be able to take action to correct the problem in time. The Owners' Association can determine if it is possible to cut back in an over-budget category of expense in the remaining months of the year in order to stay within the budget for that expense, or look to see if there are other expense categories that are under budget so that funds will be available to cover excess expenditures in the over-budget category.

Cutting back on expenditures in an over-budget category or shifting funds from an under-budget category may not be possible, however, and the Owners' Association may have to raise additional money for the excess expense--by raising assessments, passing a special assessment, or obtaining some other kind of income. Early knowledge of where the condominium is over budget and by how much will help in finding solutions and minimize the cost to the owners of covering unanticipated expenses.

Sample general ledger sheets for income and expense are provided at the end of this section of the manual.

GENERAL LEDGER SHEETS FOR INCOME

Use a general ledger sheet designed for recording income to the condominium. You will need one sheet for Condominium Assessment Income and you may also need sheets for Rent Income, Interest Income, etc.

Name and Year. At the top of the form, enter the name of the condominium and the year.

Type of Income. Indicate the type of income to be recorded on the blank line at the top of the sheet.

Opening Budget. For each kind of income, enter the amount the condominium expects to receive from that income on the Opening Budget line in Column 1 - Amount Due From This Income, and Column 4 - Balance Remaining From This Income.

Income Received. The total income received from the applicable category is recorded in Column 2 - Amount Received From This Income. This amount is then added to the most recent amount recorded in Column 3 - Cumulative Total Received and is recorded in Column 3. At the beginning of each year, the previous amount will always be zero (0).

Balance Remaining. Finally, subtract the amount received for the month recorded in Column 2 from the most recent balance in Column 4 -Balance Remaining From This Income. The amount recorded in Column 3 will tell how much the condominium has received from this income for the year to date, and the amount found for Column 4 will tell how much the condominium still expects to receive during the year.

GENERAL LEDGER SHEETS FOR EXPENSES

Use a general ledger sheet designed for recording expenses of the condominium. You will need quite a few copies of this form--one for each kind of expense included in the budget. These would certainly include Fuel and Utilities, Insurance, Building Supplies, and Electricity, and may include Payroll, Legal Fees, Accounting Fees, and Interest Expense, among others.

Repair and Maintenance items will require many expenditures over the course of a year, many of them difficult to predict accurately. Therefore, it will be necessary to group many repair and maintenance items under one line in the budget and estimate an amount that will cover them all.

Frequently, there will be one or two repair or maintenance items that will consume a major portion of the budget. For example, it is likely that plumbing will require a good deal of money during the year and should have its own line and amount on the budget. Plumbing would also have its own general ledger for expense sheet.

The building may have other categories where it is possible to predict concentrated expenses, such as electrical or roofing. If that is the case, then the budget should include amounts for these items and each will have a sheet in the General Ledger for Expense.

Name and Year. At the top of the form, enter the name of the condominium and the year.

Type of Expense. Indicate the type of expense to be recorded on the sheet on the blank line at the top of the sheet.

Opening Budget. For each kind of expense, enter the amount the condominium expects to spend for that expense on the Opening Budget line in Column 2 - Amount Available For This Expense, and Column 4 - Balance Remaining From This Expense.

Amount Spent. Each expenditure in the applicable category is recorded in Column 1 - Amount Spent. This amount is then added to the most recent amount recorded in Column 3 - Cumulative Total Spent, and is recorded in Column 3. At the beginning of each year, the previous amount will always be zero (0).

Balance Remaining. Finally subtract the amount spent during the month, recorded in Column 1, from the most recent balance in Column 4 - Balance Remaining for Expense. The amount recorded in Column 3 will tell you how much the condominium has spent for this expense for the year to date and the balance in Column 4 will tell you how much the condominium still expects to spend during the year.

SPECIAL CASES: RECORDING BUDGET MODIFICATIONS

When the condominium finds that it must re-allocate resources from another expense area or must raise additional income to cover higher than expected costs, you will want to modify the sheet in the general ledger for that expense to reflect the additional amount available for that expense.

For example, after an unexpectedly large plumbing repair expense in March, it is decided to budget an additional \$500.00 for plumbing for the rest of the year. "Modification" is written in the Comments column and \$500.00 is recorded in Column 2 - Amount Available for this expense. Then the \$500.00 is added to the balance remaining for this expense. This gives the condominium a new, higher balance remaining for this expense of \$903.55.

GENERAL LEDGER FOR INCOME FORM

GENERAL LEDGER FOR INCOME	
Condominium: _____	Year: _____
Type of Income: _____	

Item	Date	Comments	Amount Due	Amount Received	Cumulative Total	Balance Remaining	Item
		Opening Budget	25,710.00			25,710.00	
1	Jan.			1,782.50	1,782.50	23,927.00	1
2	Feb.			2,130.00	3,912.50	21,797.50	2
3	Mar.			1,882.50	5,795.00	19,915.00	3
4		Budget Modification	630.00			20,545.00	4
5	Apr.			2,285.50	8,080.50	18,259.50	5
6							6
7							7
8							8
9							9

GENERAL LEDGER FOR EXPENSE FORM

GENERAL LEDGER FOR EXPENSE	
Condominium: _____	Year: _____
Type of Expense: _____	

Item	Date	Comments	Amount Spent	Amount Available	Cumulative Total	Balance Remaining	Item
		Opening Budget		1,000.00		1,000.00	
1	Jan.		48.50		48.50	951.50	1
2	Feb.		72.95		121.45	878.55	2
3	Mar.		475.00		596.45	403.55	3
4		Budget Modification		500.00		903.55	4
5	Apr.		28.75		625.20	874.80	5
6							6
7							7
8							8
9							9

C. MONTHLY FINANCIAL REPORTS

Financial reports prepared on a monthly basis help to provide an accurate and up-to-date summary of the condominium's income and expenses and the status of its funds.

THE MONTHLY SUMMARY REPORT

The Monthly Summary Report will help the Executive Committee or property manager and the owners understand the condominium's financial status -- income, arrears, disbursements, and unpaid bills -- for each month. The Monthly Summary Report should take only a few minutes to prepare since most of the information to be recorded on it can be found on the completed and totalled income and expense journals for each month.

Income Summary. From the income journal, the totals of income received (assessments and other) are recorded for lines 1, 2 and 3 of the Monthly Summary Report. There are lines provided where you can identify the sources of other income received, such as late charges or interest. Record the total of lines 1, 2 and 3 on line 4, Total Income Received. This amount should be the same as the total of income received shown on the income journal.

Arrears and Adjustments Summary. The total amount of arrears due at the beginning of the month, from the monthly income journal, is recorded on line 5, Beginning Arrears. Similarly, the total ending arrears and adjustments are recorded on lines 6 and 7.

Disbursement Summary. Using the expense category amount columns from the expense journal, enter the totals on the Monthly Summary Report, lines 8 through 15. The total of lines 8 through 15 is recorded for Total Disbursements, line 16. This total should be equal to the total on the monthly expense journal.

Unpaid Bills Summary. At the end of the month, tabulate the unpaid bills as indicated on the monthly expense journal. Record the total of these bills on line 18. Look at the previous month's Monthly Summary Report to find the Previous Month's Unpaid Bills Total, and record it on line 17.

THE UNADJUSTED TRIAL BALANCE

The Unadjusted Trial Balance is the final monthly step in properly maintaining your condominium's records. It also provides a way of cross-checking the income and expense journals and the General Ledgers for Income and Expense. The Trial Balance will also reduce the time, and therefore the cost, of preparing your condominium's annual financial statement.

The General Ledger is a series of individual accountings of each kind of income and expense. The Trial Balance brings the General Ledger information together onto a single sheet that summarizes your condominium's financial position.

There are two columns where the amounts are recorded. In Column 1 - Closing Balance and Expenses, the amounts for Column 1 on the General Ledger for Expense sheets are recorded, along with the closing balance in your checking account. In Column 2 - Opening Balance and Incomes, the amounts for Column 2 on the General Ledger for Income sheets are recorded, as well as the opening balance in your checking account from the first line of your Cash Disbursement Form for the month.

The Trial Balance is prepared monthly and is considered "unadjusted" until an accountant reviews it at the end of the year. The Trial Balance lists first the opening and closing balances of cash in your condominium's main bank account, and then the income and expenses of your condominium for the month, from the income and expense journals. These items are listed beginning with cash in the bank, continuing through incomes, and including all expenses.

Once you have recorded the month's income and expenses and the bank account balances, add together the amounts in each column and record the totals at the bottom of the form on the Totals line. If your income and expense items and the opening and closing balances are correct, and have been added together correctly, then the totals of these two columns should be equal. This is the balance that the Unadjusted Trial Balance refers to. If the amounts are not equal, review the entries on the forms and ledger sheets and your addition on this as well as on the other forms to find the error.

MONTHLY SUMMARY REPORT

Condominium: _____ Month of _____, 199____

Income Summary form the Income Ledger

Assessment Income Received	1,782.50
Rental Income Received	620.00
Other Income Received	
Interest Income	120.00
Late Fees	78.00
Special Assessments	327.50
Miscellaneous	35.00
TOTAL INCOME RECEIVED	2,963.00

Arrears and Adjustment Summary

Beginning Arrears	947.50
Ending Arrears	957.50
Adjustments	525.00

Disbursement Summary from the Expense Ledger

Insurance	54.00
Professional Fees	378.92
Repairs/Maintenance/Supplies	330.64
Fuel and Utilities	492.58
Assets	50.00
Liabilities	0
Payroll	214.00
Other Expenses	
Bank Charges	9.50
Office Supplies	9.00
TOTAL DISBURSEMENTS	1,538.64

Unpaid Bills Summary

Total Previous Month's Unpaid Bills	228.57
Total Current Month's Unpaid Bills	183.43

UNADJUSTED TRIAL BALANCE

UNADJUSTED TRIAL BALANCE				
Condominium: _____		Month of _____, 199____		
	Category	Closing Balance and Expenses	Opening Balance and Income	
	Opening Balance		2,874.53	
	Closing Balance	12,289.82		
1	Assessment Income		1,782.50	1
2	Rental Income		620.00	2
3	Interest Income		120.00	3
4	Late Fees		78.00	4
5	Special Assessments		327.50	5
6	Miscellaneous		35.00	6
7	Liability Insurance	54.00		7
8	Management Fee	128.92		8
9	Accounting Fee	250.00		9
10	Plumbing Repair	48.50		10
11	Painting	34.45		11
12	Caretaker's Salary	200.00		12

D. THE ANNUAL FINANCIAL STATEMENT AND AUDIT

The annual financial statement is a valuable tool for a condominium. The statement will:

- Provide owners with a summary of the condominium's finances in the year just past.
- Serve as confirmation to the owners of the quality of the financial management of their condominium.
- Supply information for the condominium's tax returns.
- Help the condominium secure financing from a bank or loan program for improvements to the property.

CHOOSING AN ACCOUNTANT

If the condominium hires someone to prepare an annual financial statement and assist with filing tax returns, it will want to find a person with solid general accounting experience who is familiar with accounting for condominiums. If an owner has the necessary skills, the Owners' Association might want to hire that person. But since a financial statement (and preparation of tax returns) is an important and time-consuming job, the owner should not be expected to work for free.

If the condominium goes outside to hire an accountant, it should shop around for the best combination of fee, experience, and service. The Executive Committee or account auditing committee should speak to a number of different accountants about payment terms, services provided, and experience in dealing with condominiums. Accountants' fees can vary considerably. Make sure to get an estimate before work begins.

FACILITATING THE AUDIT

There are a number of steps that a condominium can take to simplify the audit process and therefore make it less costly. The best way to achieve a savings is by using as little of the accountant's time as possible.

The Owners' Association can trim the size of the accountant's bill by maintaining its bookkeeping records, journals, and ledgers, and by preparing monthly Unadjusted Trial Balances. The clearer and more exact these records are, the less time an accountant will have to spend searching for information. This includes the neatness as well as the accuracy of the entries.

Before the accountant arrives, check to see if all the necessary information is in hand or readily available. The accountant may need information about the Owners' Association, so have the Association Agreement and bylaws ready. The Owners' Association should be able to provide minutes of meetings as well, if asked. The minutes will clarify the decisions of owners at a general assembly and the Executive Committee at its meetings.

In addition to monthly statements, income and expense journals, and general ledgers, the Owners' Association will also need:

- Bank statements, with canceled checks and deposit slips.
- Bank account reconciliations.
- Statements or other records of any savings accounts, bonds, investment funds, etc., including information on interest earned.
- Paid invoices for the year, in monthly file folders and arranged in order by check number.
- File folder of unpaid bills.
- All insurance policies.
- Loan documents, if any.

CONTENTS OF THE ANNUAL FINANCIAL STATEMENT

The annual financial statement should include a Statement of Income, Profit and Loss, and a Balance Sheet.

The Statement of Income is a summary of the condominium's income and expenses for the year. This statement is derived from the monthly Unadjusted Trial Balances. The statement results in a net profit or net deficit for the year. If a Statement of Income indicates a deficit for the year, it does not mean that the condominium is bankrupt, because the condominium probably started the year with some money in the bank. However, a deficit probably means that the condominium spent more money than it took in. If this is the case, then the condominium will have to consider reducing expenses or raising more income.

The Balance Sheet details all assets of the condominium and all of the debts of the condominium at that moment. The Balance Sheet is divided into two basic parts: Assets on the left and Liabilities on the right.

The condominium's Assets include equipment, fixtures, and appliances owned by the condominium, money owed to the condominium (receivables) such as assessment arrears, cash in the condominium's bank accounts, deposits with utilities, supply inventory such as fuel oil, and prepayments for expenses like insurance policies.

The condominium's Liabilities include unpaid bills, outstanding loans, and other debts. Taken together, the condominium's Assets will be equal to its Liabilities.

When the annual financial statement is complete, be sure to have the accountant who prepared it explain the various components and what they say about the condominium. This information should be presented to the owners at the annual general assembly.

ANNUAL STATEMENT OF INCOME AND EXPENSES

of the _____ Condominium
for the Twelve Months Ending December 31, 199____

INCOME

Assessment Income	26,900	
Rental Income	3,312	
Interest Income	567	
Late Fees	132	
TOTAL INCOME		30,911

EXPENSES

Liability Insurance	1,132	
Fire Insurance	2,250	
Management Fee	1,800	
Accounting Fee	500	
Legal Fee	250	
Repairs	1,504	
Exterminator	275	
Supplies	485	
Heat	12,426	
Electricity	1,358	
Salaries	1,394	
Real Estate Taxes	1,742	
Water and Sewer Charges	653	
Depreciation	2,534	
TOTAL EXPENSES		28,303

NET EXCESS <DEFICIENCY> **2,608**

